



# CITY OF MORRO BAY

## Citizens Oversight Committee

### Acting as Citizens Finance Advisory Committee

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#### *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.*

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### AGENDA

#### TUESDAY, JANUARY 21, 2020

#### VETERANS MEMORIAL HALL – 3:00 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 DECEMBER 17, 2019, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

**RECOMMENDATION: Approve as submitted.**

B. BUSINESS ITEMS

1. PRESENTATION ON RESULTS OF CITY OF MORRO BAY ISSUES SURVEY – (CITY MANAGER)

**RECOMMENDATION: Receive and File.**

2. REVIEW OF FY 2018/19 YEAR-END MEASURE Q COUNCIL PRESENTATION (CHAIRWOMEN SPAGNOLA)

**RECOMMENDATION: Receive and File.**

3. REVIEW OF THE FY 2018/19 COMPREHENSIVE ANNUAL FINANCIAL REPORT. (FINANCE DIRECTOR)

**Recommendation: Receive and provide feedback on the FY 2018/19 Comprehensive Annual Financial Report (CAFR) for the period July 1, 2018 through June 30, 2019.**

4. REVIEW OF FY 2020/21 BUDGET DATES AND CFAC MEETING DATES; (FINANCE DIRECTOR)

**Recommendation: Receive and file review of the adopted schedule for the FY 2020/21 budget calendar and CFAC meeting dates.**

5. REVIEW OF WRF CAPITAL PROJECT QUARTERLY UPDATE REPORT (FINANCE DIRECTOR)

**Recommendation: Receive WRF Capital Project Quarterly Update Report.**

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

February 18, 2020

E. ADJOURNMENT

**THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 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 24 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 – DECEMBER 17, 2019  
VETERANS MEMORIAL HALL – 3:30 P.M.**

MEMBERS PRESENT:	Barbara Spagnola	Chair
	John Martin	Vice-Chair
	Homer Alexander	Member
	Bart Beckman	Member
	Bill Bowes	Member
	Lois Johnson	Member
NOT PRESENT:	None	
STAFF PRESENT:	Jennifer Callaway	Finance Director
	Sandy Martin	Budget/Account 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 6 members present.

**MOMENT OF SILENCE**

**PLEDGE OF ALLEGIANCE**

**COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS**

Chair Spagnola presented and announced that she had received a letter of the resignation from Member Betonte.

Marlys McPherson, Council Liaison, presented approved changes made by the City Council regarding Advisory Committees.

**STAFF ANNOUNCEMENTS**

No announcements were made.

**PUBLIC COMMENT PERIOD**

No public comments made.

**A. CONSENT CALENDAR**

1. APPROVAL OF MINUTES FOR THE NOVEMBER 19, 2019 CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING.

[https://youtu.be/68A9\\_WIH65c?t=1360](https://youtu.be/68A9_WIH65c?t=1360)

MOTION: Member Johnson moved to approve A-1. Member Martin seconded.  
Motion carried 6 - 0.

**B. BUSINESS ITEMS**

1. BRIEF FINANCE UPDATE (FINANCE DIRECTOR)

[https://youtu.be/68A9\\_WIH65c?t=1397](https://youtu.be/68A9_WIH65c?t=1397)

Finance Director Callaway made a brief presentation and answered committee member questions.

The presentation was received and filed.

2. REVIEW OF THE FY 2018/19 DRAFT COMPREHENSIVE ANNUAL FINANCIAL REPORT (FINANCE DIRECTOR)

[https://youtu.be/68A9\\_WIH65c?t=1612](https://youtu.be/68A9_WIH65c?t=1612)

Finance Director Callaway provided a brief report and answered committee member questions. Committee received and filed report.

3. REVIEW OF THE FY 2018/19 UNAUDITED TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q" (FINANCE DIRECTOR)

[https://youtu.be/68A9\\_WIH65c?t=2268](https://youtu.be/68A9_WIH65c?t=2268)

Finance Director Callaway made a brief presentation and answered committee member questions.

Public Comment:

None

Chair Spagnola closed public comment

MOTION: Member Alexander recommends CFAC accept the District's transaction report for the year ending 2019. Member Bowes seconded. The motion carried 6 – 0.

4. DISCUSSION TO PROVIDE GREATER TRANSPARENCY BY EXPANDING TABLE 2 THE WRF QUARTERLY REPORT BUDGET REVISION SUMMARY AND SHOW THE AMOUNTS AND ESTIMATES TO COMPLETE FOR EACH CONTRACT (VERBAL DISCUSSION)

[https://youtu.be/68A9\\_WIH65c?t=4055](https://youtu.be/68A9_WIH65c?t=4055)

WRF Project Manager Casares presented recommended changes to Carollo's quarterly report and answered committee questions.

MOTION: Member Alexander recommends that CFAC recommends that the City Council include the estimate of completion, the proposed Table 3, to future quarterly reports from Carollo. Member Beckman seconded motion. The motion carried 6 – 0.

5. DISCUSSION OF EXPANSION OF THE GANT CHART THAT IS INCLUDED IN SECTION 4 OF THE WRF QUARTERLY REPORT. (VERBAL DISCUSSION)

[https://youtu.be/68A9\\_WIH65c?t=5339](https://youtu.be/68A9_WIH65c?t=5339)

WRF Project Manager Casares made a presentation and answered committee questions.

Public Comment:

None

Chair Spagnola closed public comment.

The presentation was received and filed.

C. FUTURE AGENDA ITEMS

[https://youtu.be/68A9\\_WIH65c?t=6263](https://youtu.be/68A9_WIH65c?t=6263)

The following items were addressed as future agenda items:

- 1) CAFR
- 2) January WRF Report

D. SCHEDULE NEXT MEETING

The next Regular Meeting of the Citizens Finance Advisory Committee is scheduled for January 21, 2020 at 3:00 pm.

E. ADJOURNMENT

The meeting adjourned at 5:14 pm

Recorded by:  
Tracy McConnell

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AGENDA NO: B-1

MEETING DATE: January 21, 2020

## Staff Report

**TO:** Chairman and Committee Members

**DATE:** January 15, 2020

**FROM:** Jennifer Callaway, Finance Director

**SUBJECT:** Presentation on Results of City of Morro Bay Issues Survey

### **PRESENTATION**

On August 27, 2019 the Morro Bay City Council entered into agreements with FM3 and The Lew Edwards Group to conduct community polling and outreach related community priorities and concerns. The Survey was conducted between October 28, 2019 and November 7, 2019. The City Manager will present the results of the survey to the committee.

### **ATTACHMENT:**

1. Presentation on Results of City of Morro Bay Issues Survey

Prepared By: JC

Dept Review: \_\_\_\_\_

City Manager Review: \_\_\_\_\_

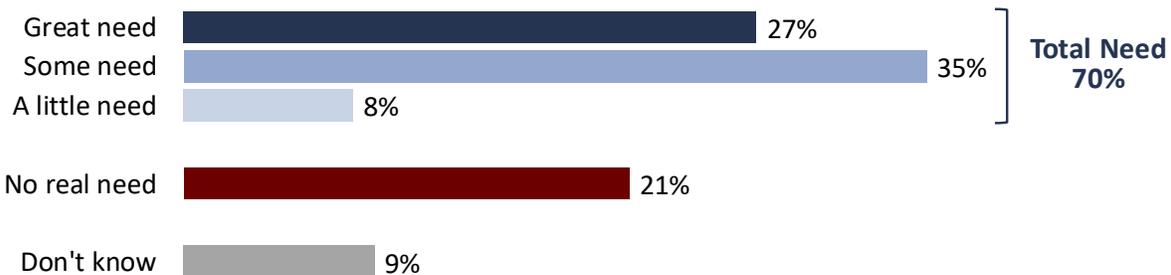
City Attorney Review: \_\_\_\_\_

**TO** Interested Parties  
**FROM** FM3 Research  
**RE:** Results of a Survey of City of Morro Bay Residents  
**DATE** December 3, 2019

Fairbank, Maslin, Maullin, Metz & Associates (FM3) recently completed a survey of Morro Bay residents regarding community satisfaction and priorities.<sup>i</sup> Key findings from the survey include:

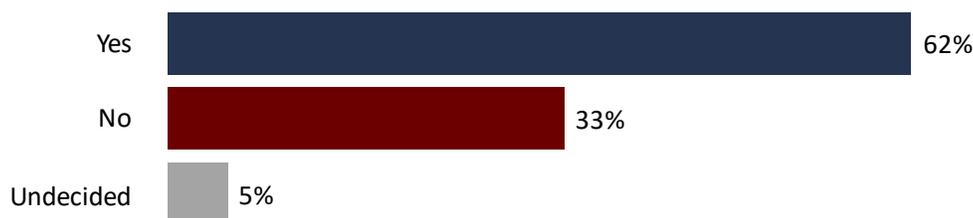
**Seven-in-ten respondents perceive that the City of Morro Bay needs additional funding.** Seventy percent of respondents indicated that the City has either a “great need,” “some need,” or “a little need” for additional funding. By contrast, just 21 percent perceive that the City has “no real need” for additional funding (**Figure 1**).

**Figure 1: Morro Bay’s Need for Additional Funding**



**More than six-in-ten respondents would support a local simple majority requirement (50+1%) one-cent sales tax ballot measure for the City of Morro Bay based on a potential ballot question tested in the survey<sup>ii</sup>.** Based on the initial response to the potential ballot question, 62 percent of respondents indicated they would vote “yes” in support of the measure, meeting the majority-vote threshold required for passage and outside the survey’s margin of error. Thirty-three percent would vote “no” against the measure, while five percent of respondents were undecided (**Figure 2**).

**Figure 2: Opinions on Local Morro Bay Sales Tax Ballot Measure**



**Respondents prioritize funding for maintaining public safety services, keeping beaches and other public areas clean and safe, and maintaining the City’s financial stability, among other programs and projects.** More than eight-in-ten respondents believe that public safety priorities such as “maintaining 24/7 paramedic services” (87%), “maintaining 24/7 911 emergency response” (87%), “maintaining 24/7 police services” (82%) and “maintaining fire protection services” (82%) are “extremely important” or “very important” to fund. Other high priorities include “keeping beaches, public areas and public restrooms safe and clean” (85%), “responding to emergencies at the Morro Bay Harbor” (79%) and “keeping beaches, the harbor and waterfront clean and safe” (79%). Residents also clearly prioritize “protecting Morro Bay’s financial stability” (83%) and “preventing the City of Morro Bay from needing to declare bankruptcy” (80%). **Figure 3** below lists these and other services, programs and projects which survey respondents considered to be the most important to fund.

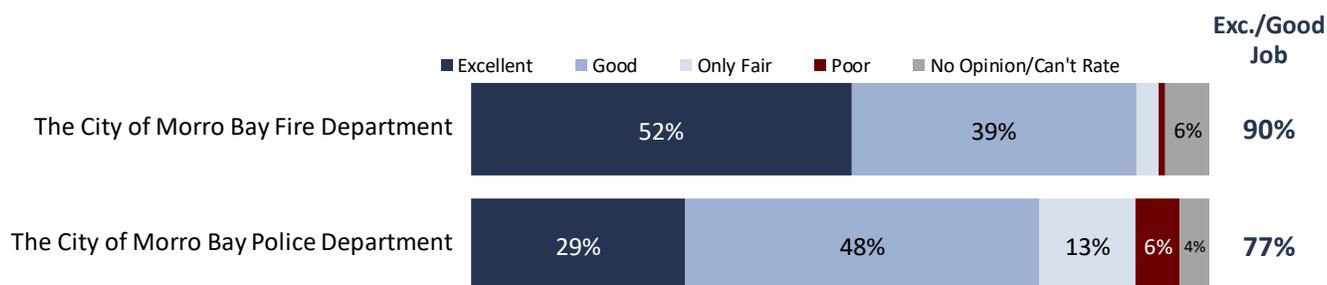
**Figure 3: Highest Priorities for Morro Bay Respondents**

Priorities	% “Extremely” or “Very Important”
Maintaining 24/7 paramedic services	87%
Maintaining 24/7 911 emergency response	87%
Keeping beaches, public areas and public restrooms safe and clean	85%
Protecting Morro Bay’s financial stability	83%
Maintaining 24/7 police services	82%
Maintaining fire protection services	82%
Preventing the City of Morro Bay from needing to declare bankruptcy	80%
Responding to emergencies at the Morro Bay Harbor	79%
Keeping beaches, the harbor and waterfront clean and safe	79%
Retaining and attracting local businesses	75%
Maintaining the current level of City services	74%
Maintaining the condition of Morro Bay Harbor piers, docks and ramps	74%
Maintaining disaster preparedness	73%
Helping ensure children have safe places to play	73%

Priorities	% "Extremely" or "Very Important"
Qualifying for state matching funds to improve the intersection of Highways 1 and 41	71%
Preserving natural areas	71%
Maintaining City infrastructure	69%
Maintaining the Morro Bay Harbor Patrol	69%
Upgrading outdated lifesaving equipment such as cardiac monitors, defibrillators and jaws of life	67%
Providing safe routes to neighborhood schools	65%
Addressing homelessness	65%

**Respondents have very favorable views of the performance of Morro Bay’s public safety departments.** One of the reasons Morro Bay residents so strongly prioritize maintaining funding for local public safety services is that they have very favorable views of their local Fire Department and Police Department. Nine-in-ten respondents rated the performance of the Morro Bay Fire Department as “excellent” or “good,” and just one percent of respondents rated the Fire Department’s performance as “poor.” Similarly, more than three-quarters of respondents rated the Morro Bay Police Department’s performance as “excellent” or “good” and just six percent described it as “poor” (Figure 4).

**Figure 4: Ratings of the Performance of Morro Bay’s Local Public Safety Departments**



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<sup>i</sup> **Survey Methodology:** From October 28<sup>th</sup> – November 7<sup>th</sup>, 2019, FM3 completed 326 interviews online and via landline and cellular telephones with Morro Bay residents with a voting history that makes them likely to vote in the November 2020 election. The survey was available in English and Spanish. Results have a margin of sampling error of  $\pm 5.4\%$  at the 95% confidence interval. Some percentages may not sum to 100% due to rounding.

<sup>ii</sup> The ballot question tested in the survey read as follows: “MORRO BAY PUBLIC SAFETY/ ESSENTIAL SERVICES PROTECTION MEASURE. To protect City of Morro Bay’s financial stability, local property values and services, including, preventing elimination of Morro Bay Police/Fire Departments, while maintaining 24/7 paramedics and 911 emergency response, senior/youth/general services; repairing streets/potholes; keeping beaches, public areas safe/clean; retaining/attracting businesses; shall the measure establishing a 1¢ sales tax providing \$2,000,000 annually until ended by voters be adopted, requiring independent audits, public oversight, all funds used locally?”



# City of Morro Bay Issues Survey

*Survey Conducted:  
October 28-November 7, 2019*



OPINION  
RESEARCH  
& STRATEGY



# Survey Methodology

Conducted a Dual Mode Survey, online, by cell, and landline between October 28- November 7, 2019



Surveys were completed by a random sample of 326 voters registered in the City of Morro Bay who are likely to vote in the November 2020 election



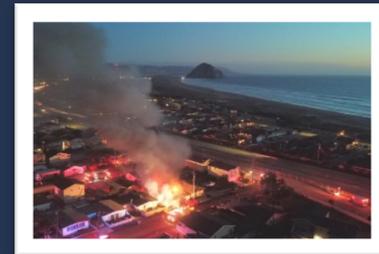
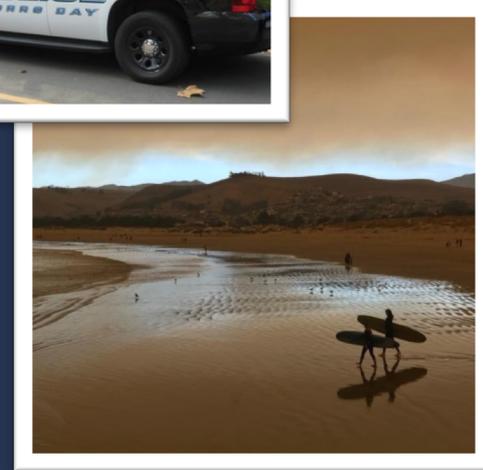
Overall margin of error for whole sample:  $\pm 5.4\%$ ; margin of error for subsamples will be larger



Survey available in English and Spanish

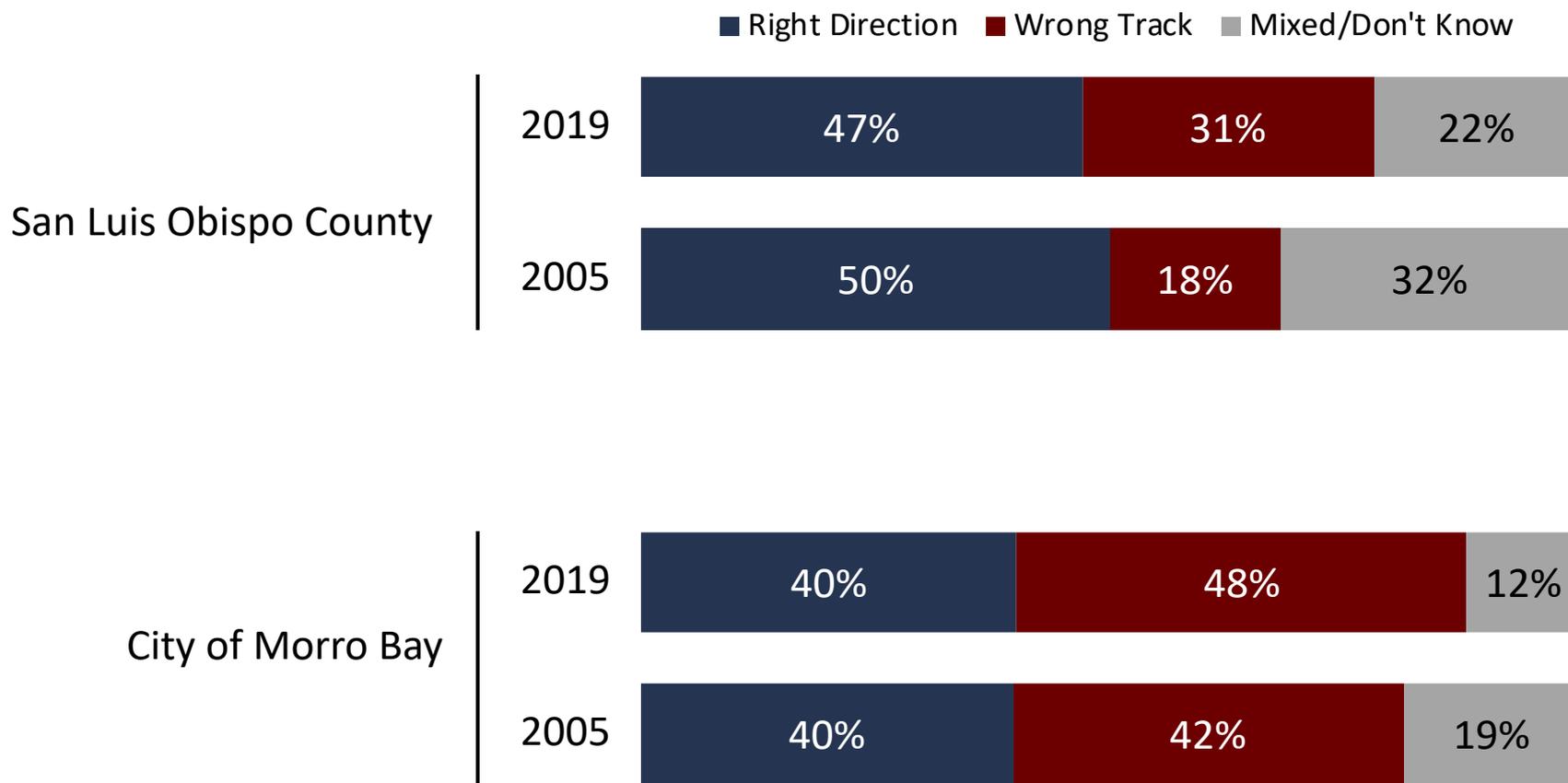


Some percentages may not sum to 100% due to rounding



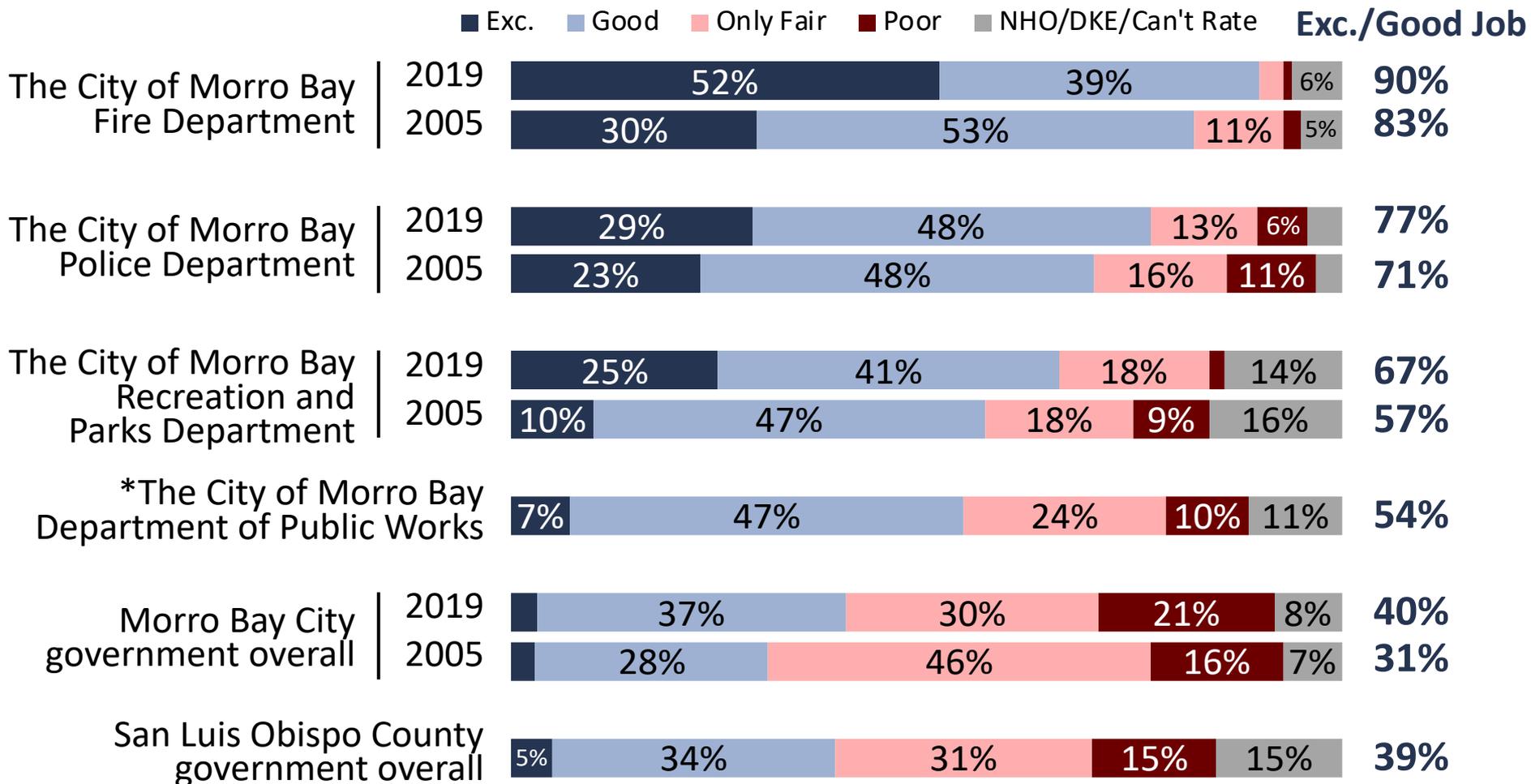
# Community Perceptions

# Opinions on the direction of the City and the County



# Voters have positive impressions of local public safety departments

(Ranked by Excellent/Good Job)



# Perceived issues/problems facing Morro Bay

(Ranked by Extremely/Very Serious Problem)

■ Ext. Ser. Prob. ■ Very Ser. Prob. ■ Smwt. Ser. Prob. ■ Not a Prob. ■ Don't Know

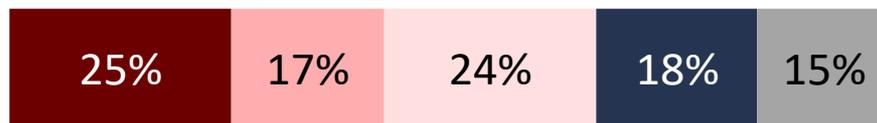
**Ext./Very Serious Problem**

The cost of housing



**60%**

^Waste and inefficiency in Morro Bay City government



**43%**

The number of homeless individuals in Morro Bay



**43%**

The amount you have to pay in taxes



**31%**

^The quality of streets and roads in Morro Bay



**30%**

The lack of ability to respond to multiple 911 emergency medical or fire calls simultaneously

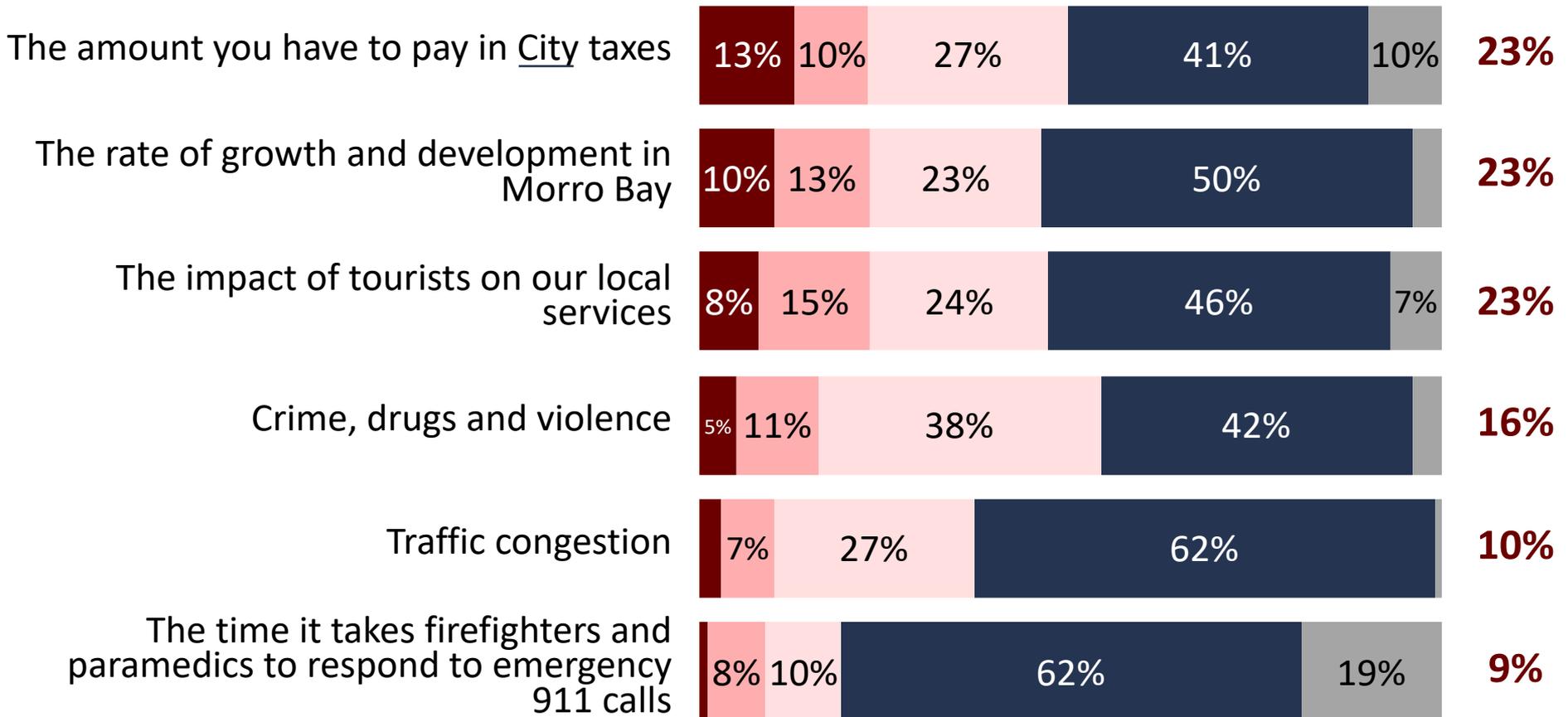


**27%**

# Continued

(Ranked by Extremely/Very Serious Problem)

■ Ext. Ser. Prob. 
 ■ Very Ser. Prob. 
 ■ Smwvt. Ser. Prob. 
 ■ Not a Prob. 
 ■ Don't Know 
 Ext./Very Serious Problem

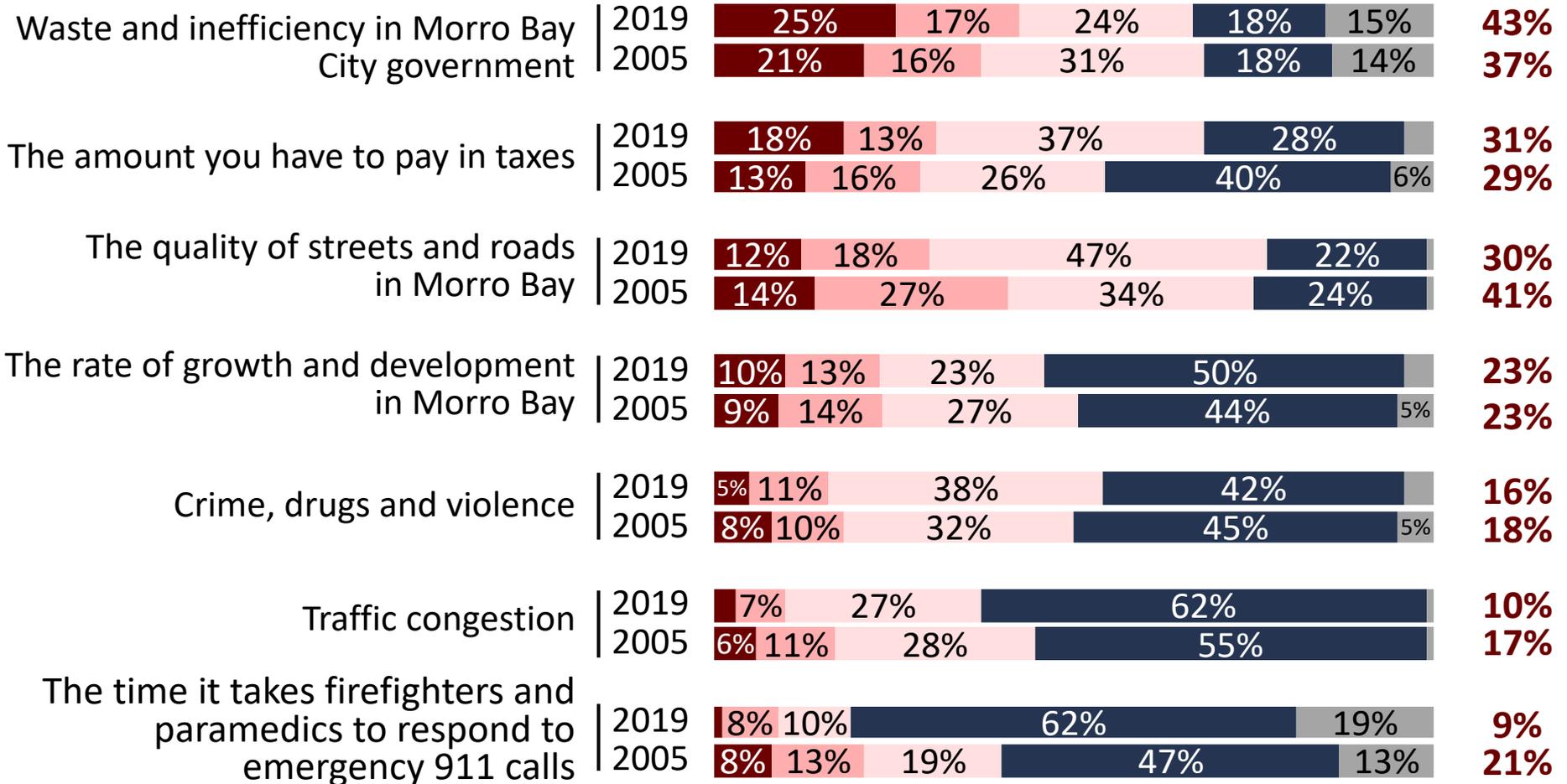


# Comparisons of perceived issues since 2005

(Ranked by Extremely/Very Serious Problem)

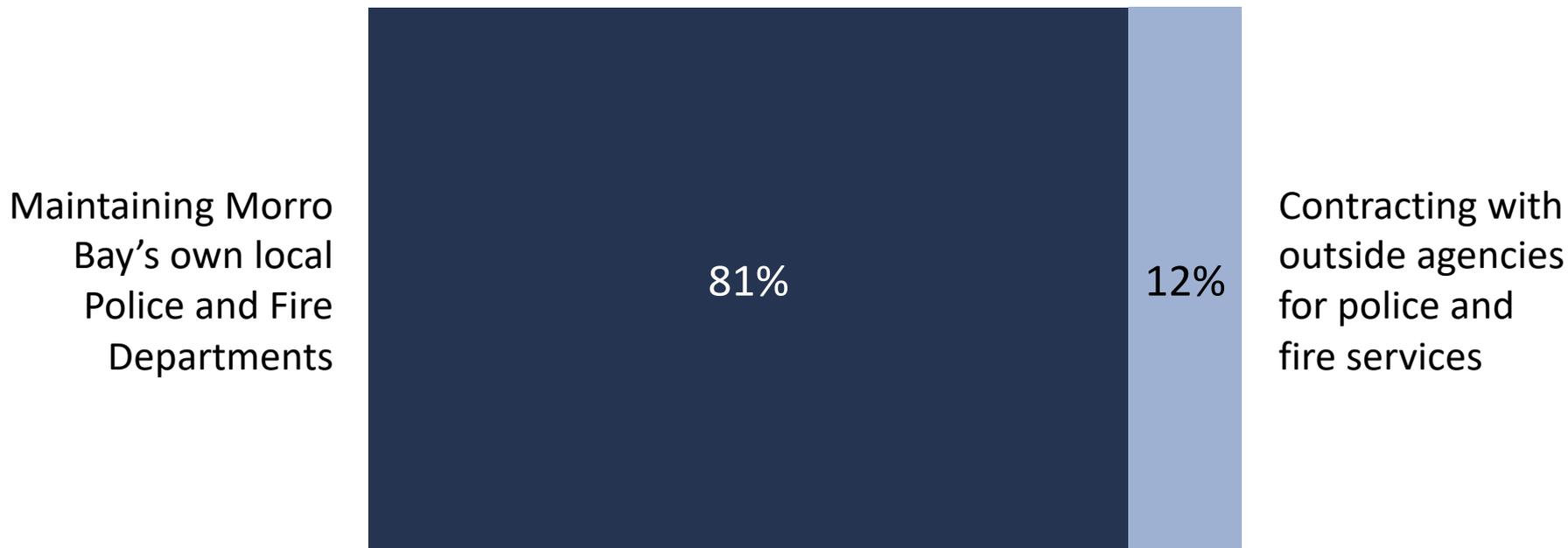
■ Ext. Ser. Prob. ■ Very Ser. Prob. ■ Smwt. Ser. Prob. ■ Not a Prob. ■ Don't Know

**Ext./Very Serious Problem**

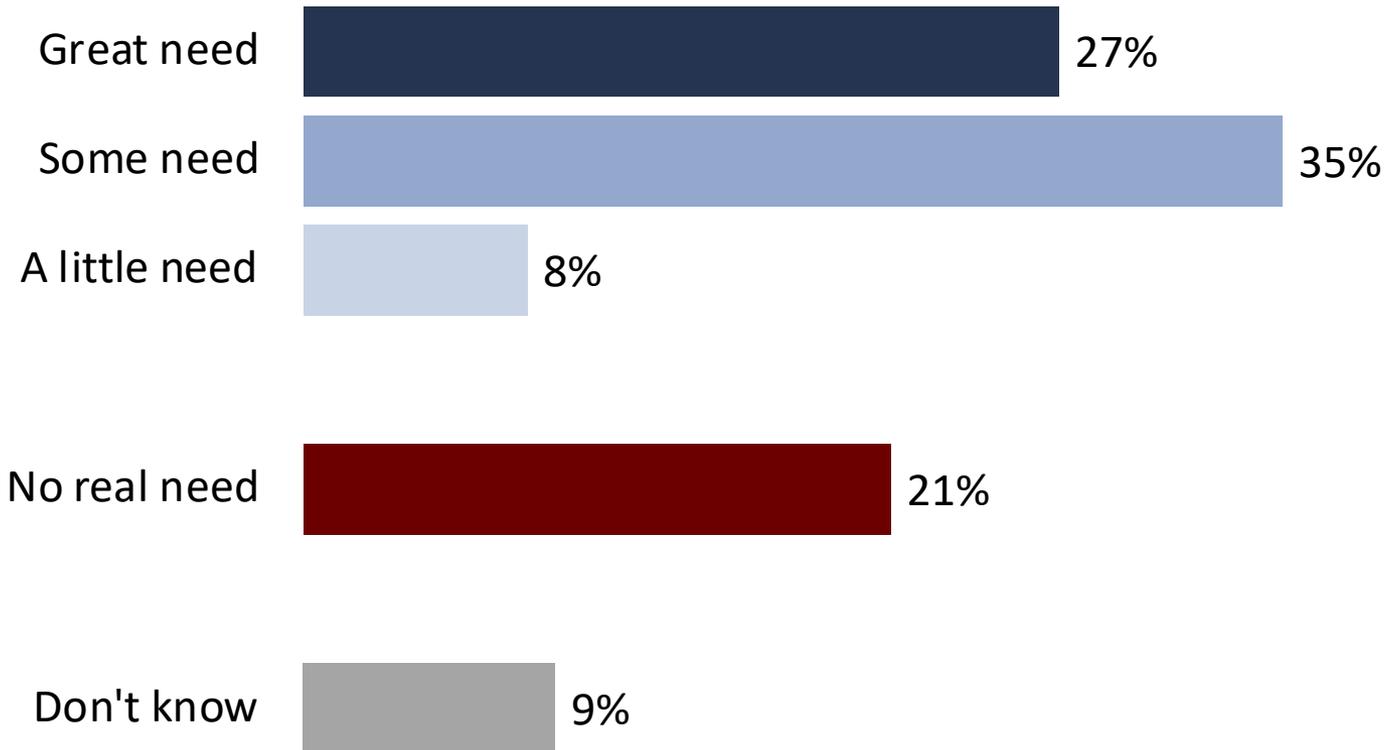


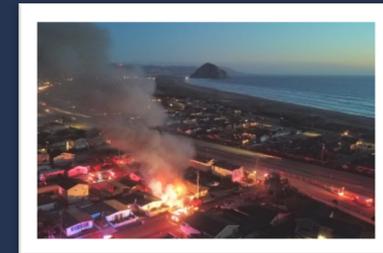
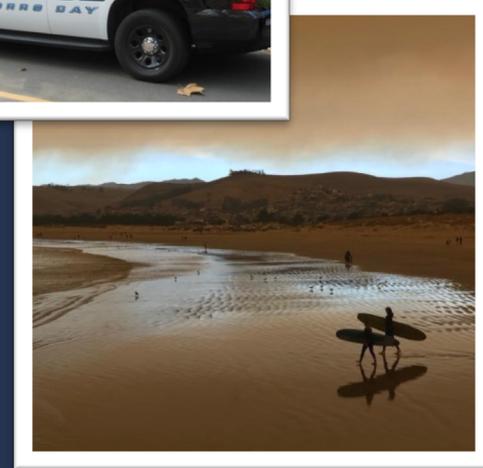
I'd like to switch gears for a moment and read you a brief list of issues that could be problems for people living in Morro Bay. Please tell me whether you personally consider it to be an extremely serious problem, a very serious problem, a somewhat serious problem, or not a problem at all for people living in Morro Bay.

# Voters overwhelmingly prefer to maintain Morro Bay's local public safety departments instead of contracting out.



# Seven-in-ten voters believe the City has a need for additional funding.





# Opinions on Potential Local Funding Measure

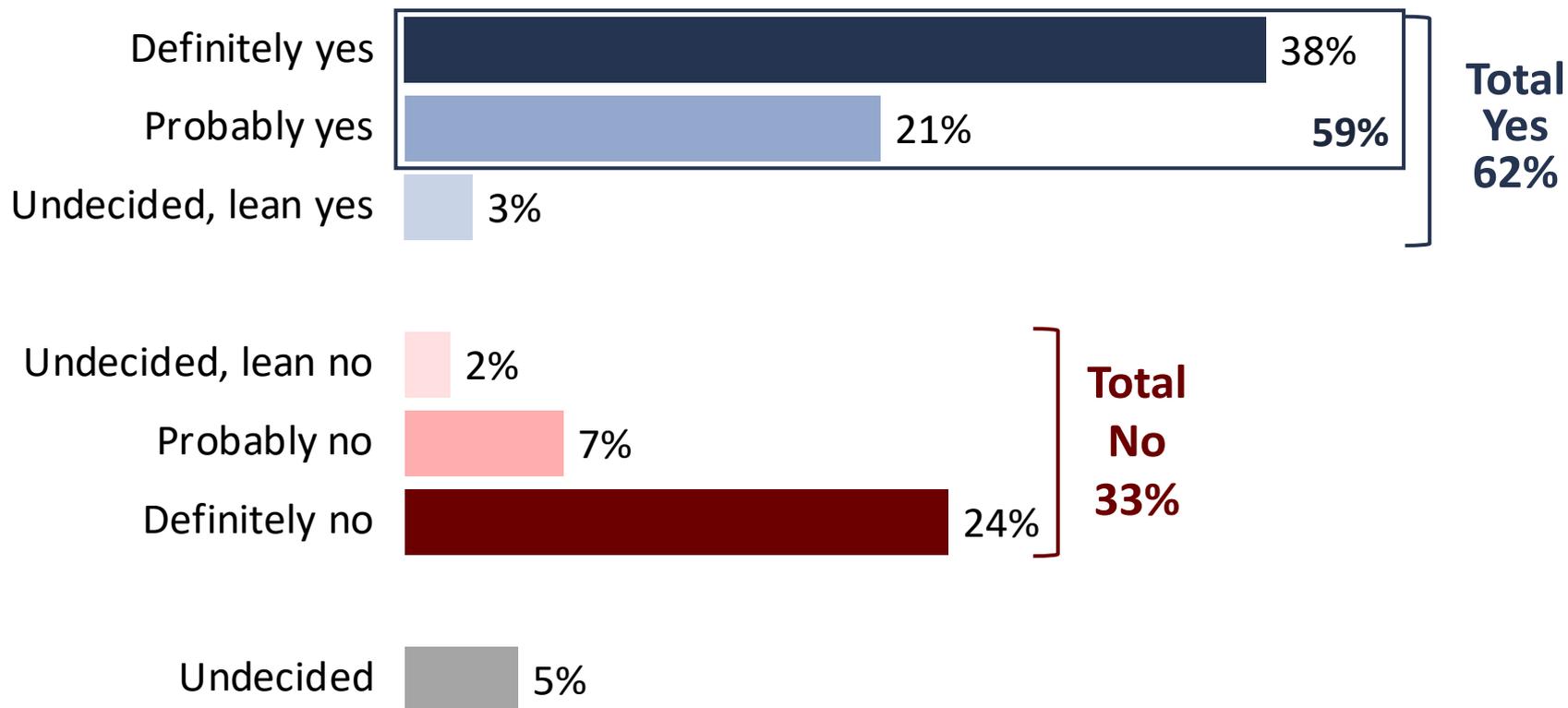
# Potential Ballot Language for a Local Funding Measure

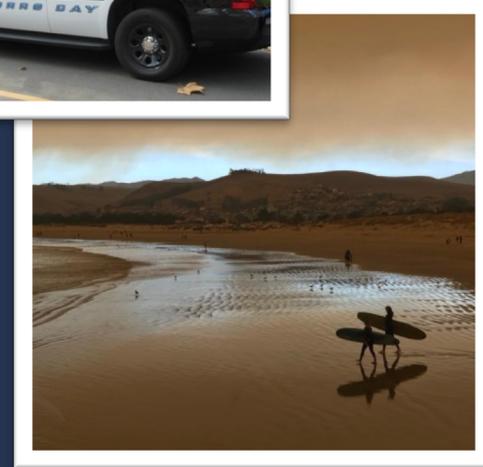
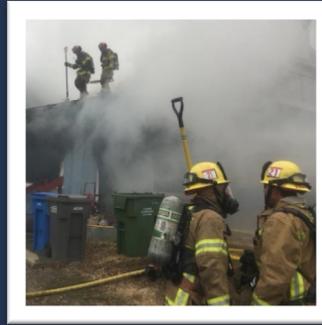
## MORRO BAY PUBLIC SAFETY AND ESSENTIAL SERVICES PROTECTION MEASURE

To protect City of Morro Bay's financial stability, local property values and services, including, preventing elimination of Morro Bay Police and Fire Departments, while maintaining 24/7 paramedics and 911 emergency response, senior, youth and general services; repairing streets and potholes; keeping beaches, public areas safe and clean; retaining and attracting businesses; shall the measure establishing a 1¢ sales tax providing \$2 million annually until ended by voters be adopted, requiring independent audits, public oversight, all funds used locally?



# Slightly more than six-in-ten voters initially support this potential simple majority requirement (50+1%) measure.

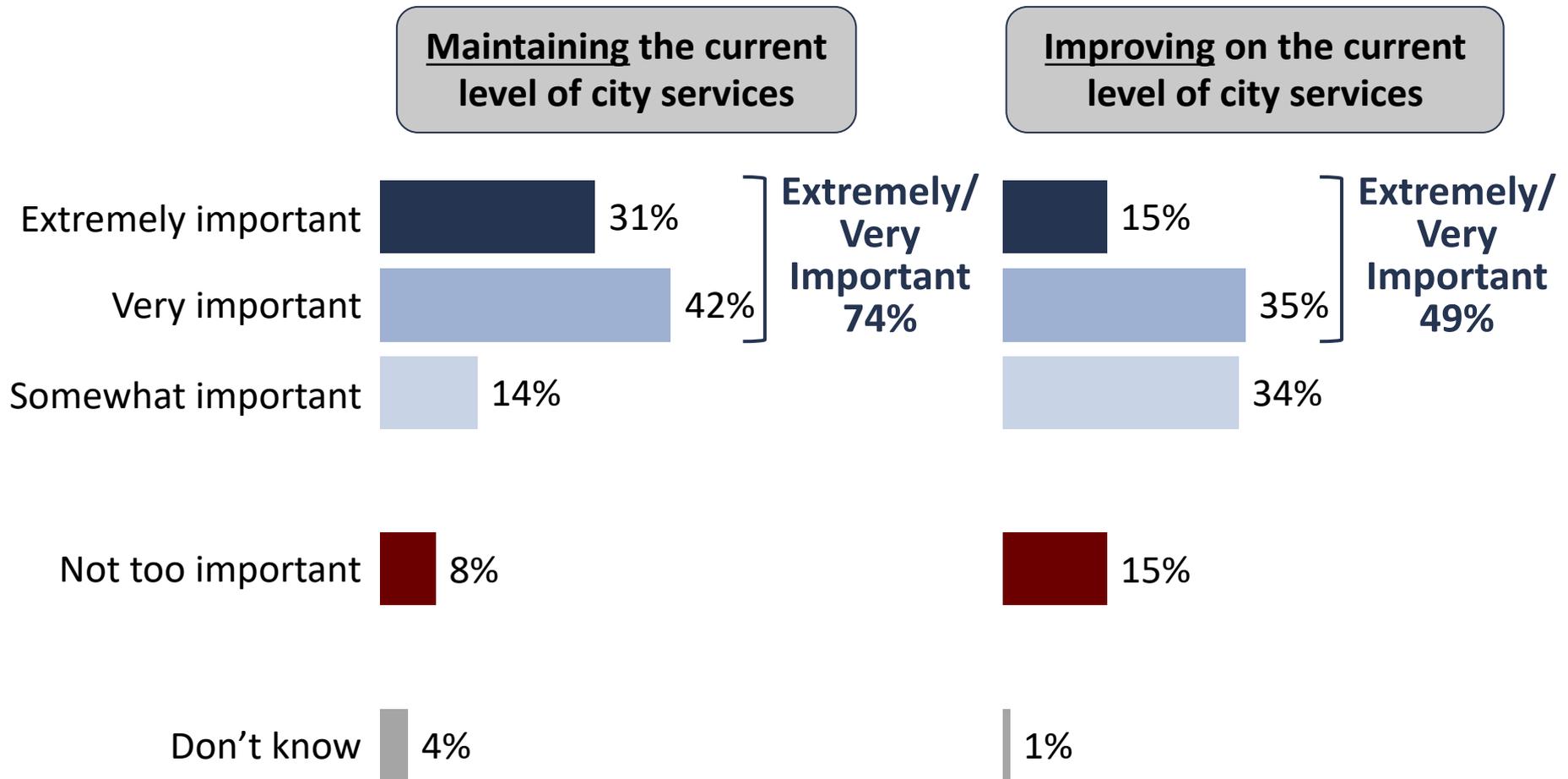




# Community Spending Priorities



# Much higher percentages rate the importance of maintaining essential city services over improving them.



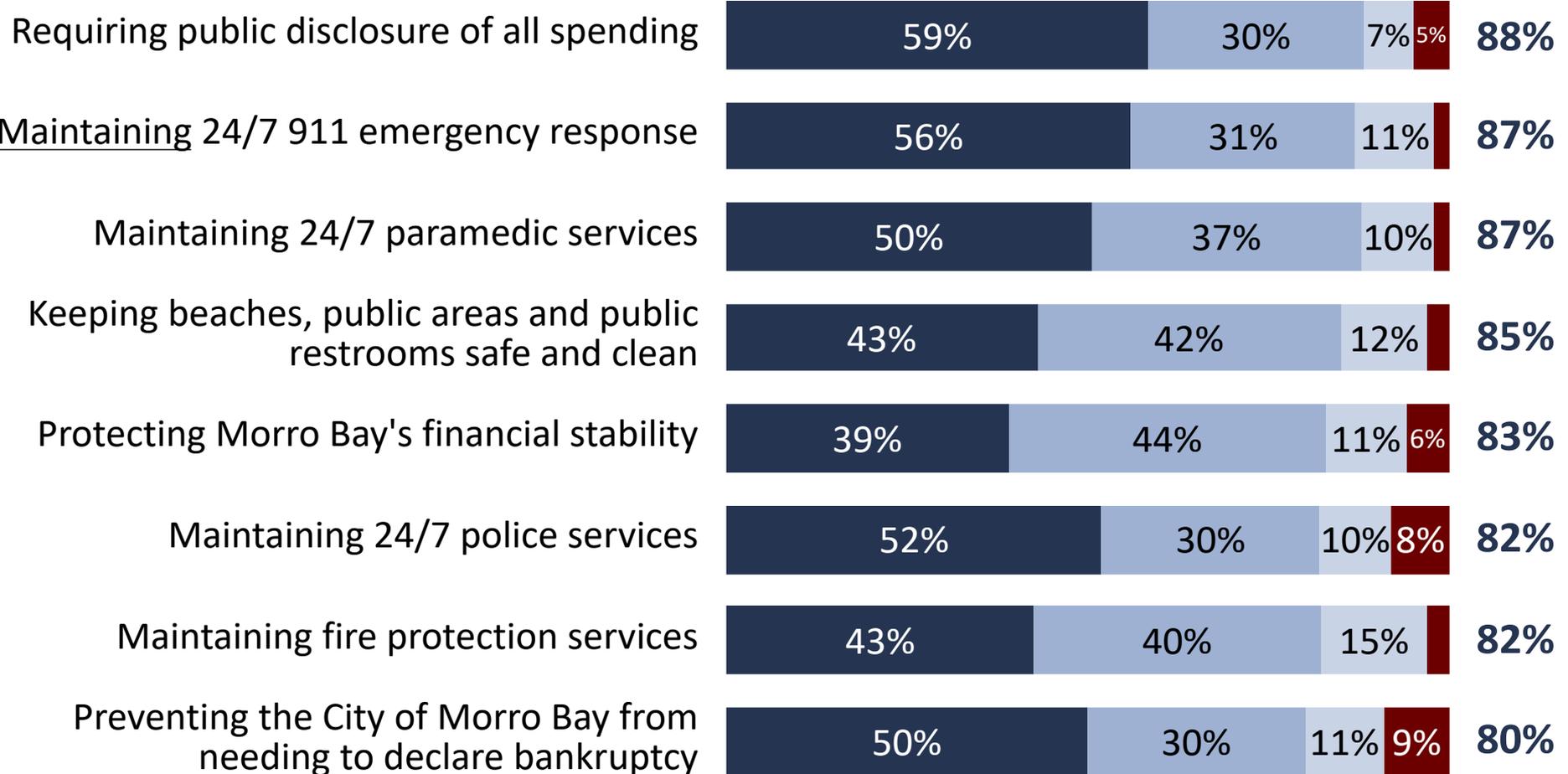
I am going to read you a list of possible programs and projects that might be funded by the local ballot measure we were discussing earlier, as well as accountability provisions that could be included. Regardless of your opinion of the measure, after I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important? Split Sample

# Voters rate public disclosure of spending and maintaining 911 emergency response among the top priorities of a potential funding measure.

(Ranked by Extremely/Very Important)

■ Ext. Impt. ■ Very Impt. ■ Smwt. Impt. ■ Not Too Impt./Don't Know

Ext./Very Impt.

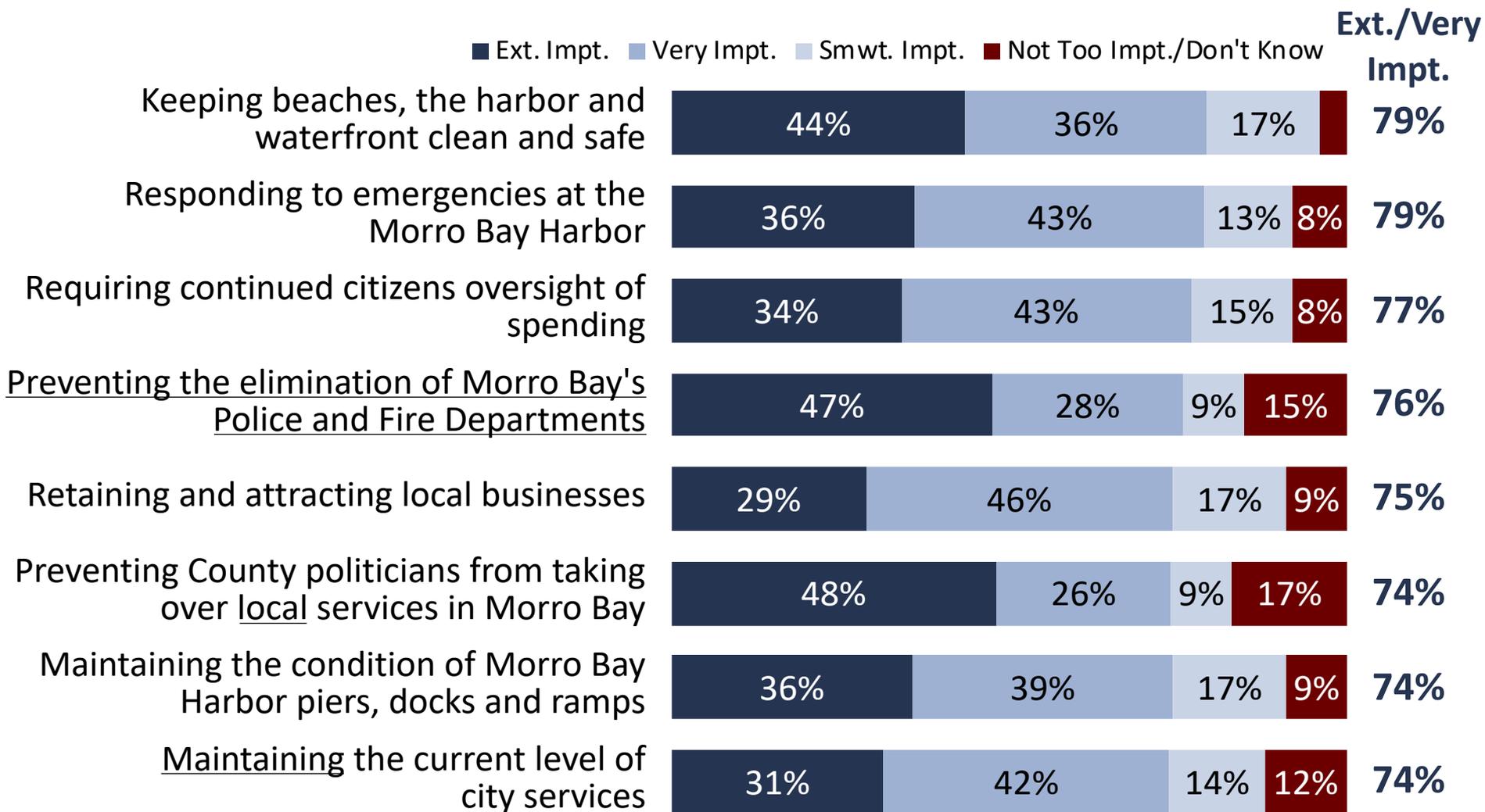


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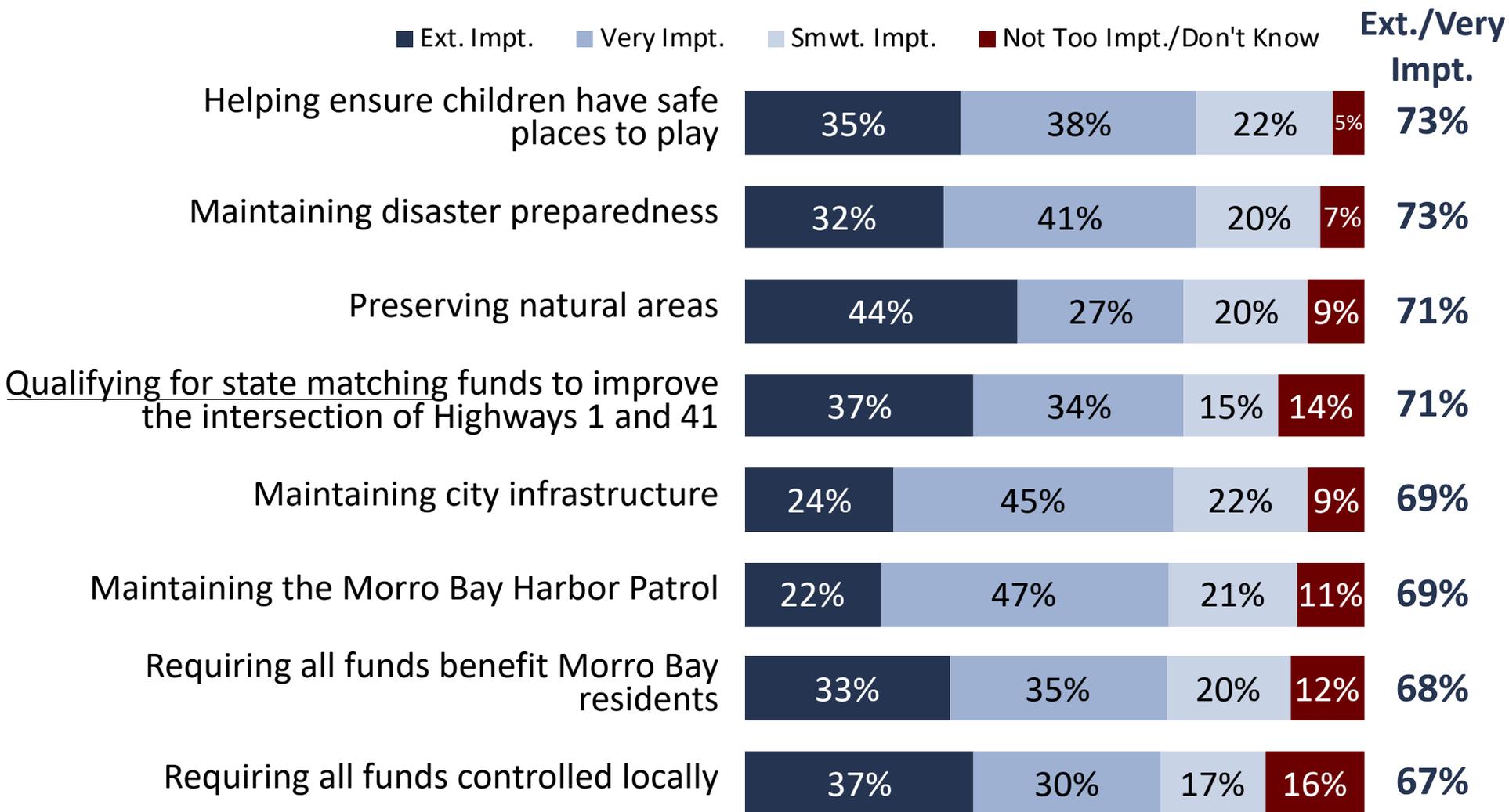
(Ranked by Extremely/Very Important)



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# Continued

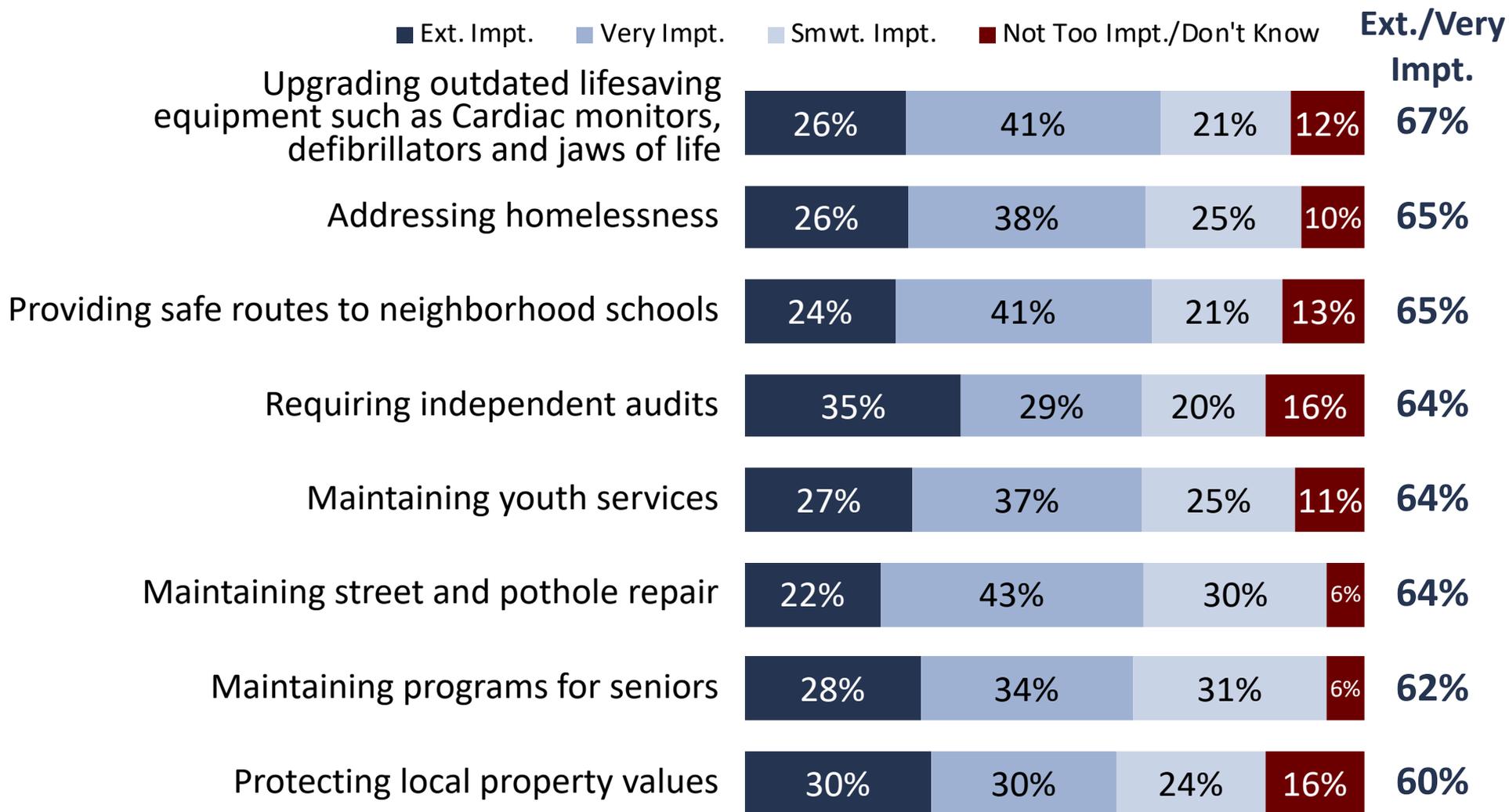
(Ranked by Extremely/Very Important)



I am going to read you a list of possible programs and projects that might be funded by the local ballot measure we were discussing earlier, as well as accountability provisions that could be included. Regardless of your opinion of the measure, after I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important/Don't know

# Continued

(Ranked by Extremely/Very Important)



I am going to read you a list of possible programs and projects that might be funded by the local ballot measure we were discussing earlier, as well as accountability provisions that could be included. Regardless of your opinion of the measure, after I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important/Don't know.

# Continued

(Ranked by Extremely/Very Important)

■ Ext. Impt.   ■ Very Impt.   ■ Smwt. Impt.   ■ Not Too Impt./Don't Know

**Ext./Very  
Impt.**

^Providing more affordable housing



**58%**

Replacing outdated emergency communications systems



**58%**

Maintaining bike and pedestrian paths



**58%**

Increasing training to better prepare for emergencies including active shooter situations and power shut-offs



**56%**

Improving the intersection of Highways 1 and 41



**54%**

Providing emergency funding to address the City's fiscal crisis



**50%**

Improving pedestrian safety



**49%**

Improving the condition of City parks, playing fields and sports courts



**49%**

I am going to read you a list of possible programs and projects that might be funded by the local ballot measure we were discussing earlier, as well as accountability provisions that could be included. Regardless of your opinion of the measure, after I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important? CPAC 2020-11-21 Page 31 of 50

# Continued

(Ranked by Extremely/Very Important)

■ Ext. Impt.   ■ Very Impt.   ■ Smwt. Impt.   ■ Not Too Impt./Don't Know

**Ext./Very  
Impt.**

Improving on the current level of city services



**49%**

Increasing enforcement of city laws on vacation rental units



**44%**

Rebuilding and staffing a fire station in North Morro Bay to provide rapid response to 911 calls from all parts of the city



**43%**

Adding new bike and pedestrian paths



**36%**

Rebuilding and staffing a fire station in North Morro Bay



**36%**

Replacing aging playground equipment



**31%**

Rebuilding the Surf Street stairs



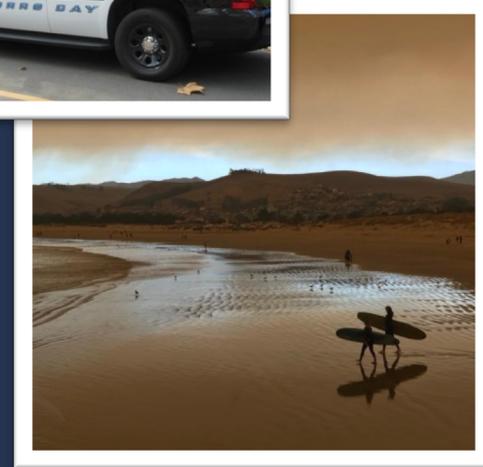
**28%**

Upgrading the Veterans Memorial Building



**26%**

*I am going to read you a list of possible programs and projects that might be funded by the local ballot measure we were discussing earlier, as well as accountability provisions that could be included. Regardless of your opinion of the measure, after I mention each one, please tell me how important that provision or use of funds is to you personally: is it extremely important, very important, somewhat important, or not too important/Don't Know*

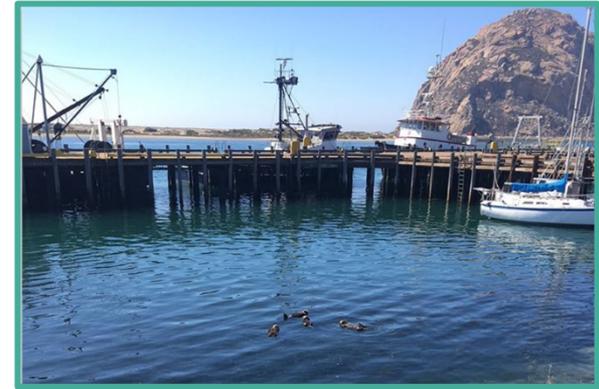


# Opinions on Potential Harbor Parcel Tax

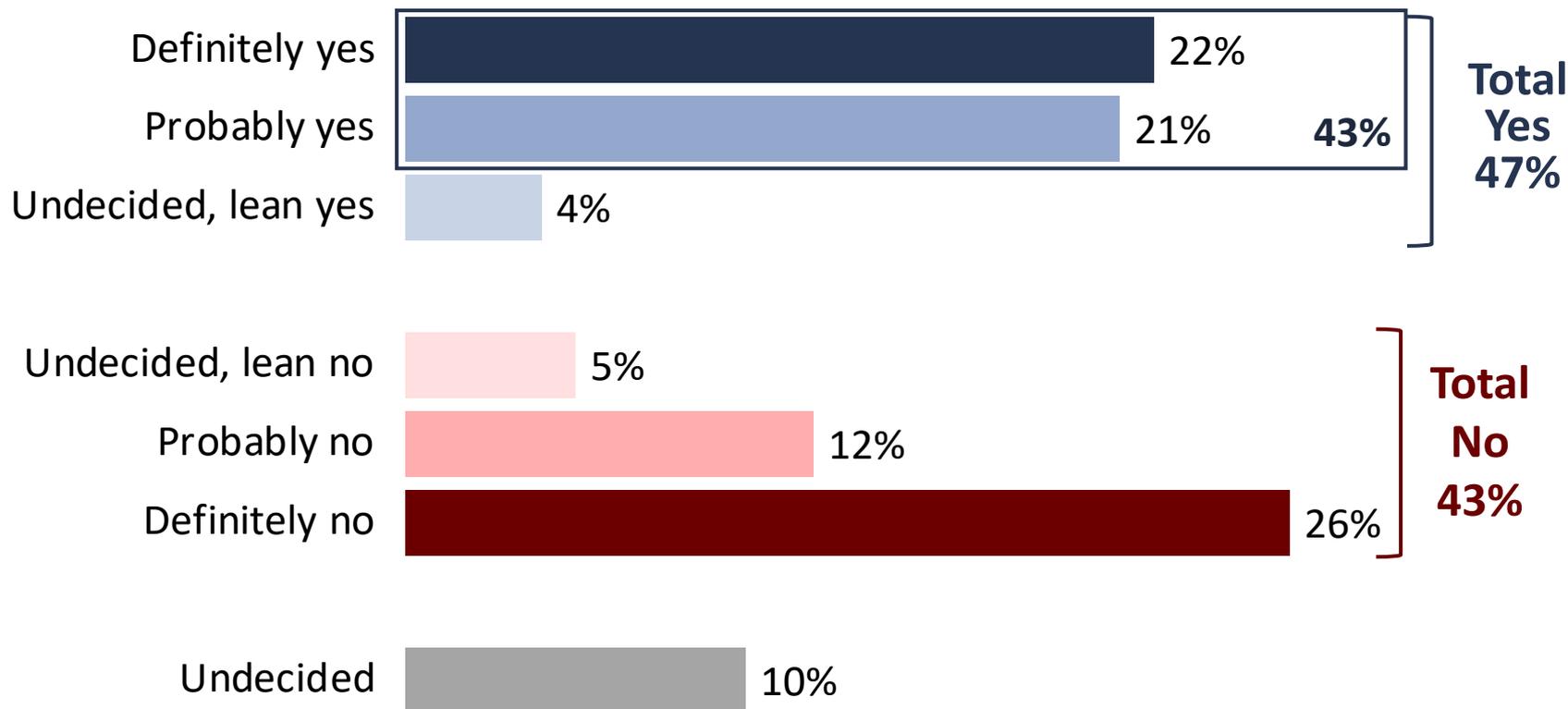
# Potential Ballot Language Tested in Survey

## MORRO BAY CLEAN AND SAFE HARBOR, BEACH AND WATERFRONT MEASURE

To keep Morro Bay's beaches, harbor and waterfront safe; reduce beach/waterfront pollution; maintain Morro Bay's Harbor Patrol, respond to boater emergencies, upgrade safety equipment; upgrade harbor piers, docks and ramps; shall the measure levying \$50 per commercial and residential parcel, providing \$200,000 annually, be adopted, requiring annual independent financial audits, citizens oversight, and all funds used locally to benefit Morro Bay residents?



# There is a lack of community support for this potential measure. Less than half of voters support the measure which requires a 2/3rds vote for passage.



**For more information, contact:**

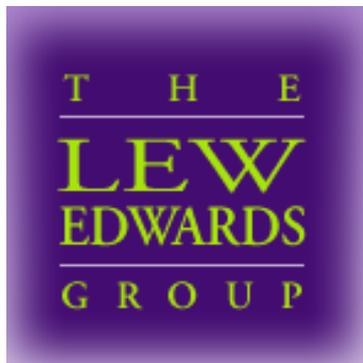


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**The Lew Edwards Group**

info@lewedwardsgroup.com



AGENDA NO: B-3  
MEETING DATE: January 21, 2020

# Staff Report

**TO:** Chairman and Committee Members      **DATE:** January 13, 2020  
**FROM:** Jennifer Callaway, Finance Director  
**SUBJECT:** Presentation and Discussion of the Fiscal Year 2018/19 Comprehensive Annual Financial Report

## **RECOMMENDATION**

Receive and provide feedback on the FY 2018/19 Comprehensive Annual Financial Report (CAFR) for the period July 1, 2018 through June 30, 2019.

## **BACKGROUND**

In the City's continued effort for increased transparency and fiscal accountability, in 2015 the City issued a Request for Proposal (RFP) for auditing services and the Pun Group was the selected as the most responsive proposer. The City entered into agreement with the Pun Group to perform auditing services for the fiscal years ending June 30, 2015, 2016, 2017 and 2018, with the option to renew for two additional fiscal years (2019 through 2020). The Auditors were onsite in October 2019 to review expenditures, revenues, contracts and general accounting processes for both accuracy and internal controls (fraud prevention). After the audit team collected its information, the issues discovered, if any, are presented as audit findings in the attached Comprehensive Annual Financial Report (CAFR). The City received no audit findings for FY 2018/19.

## **DISCUSSION**

The Pun Group issued a Report on Internal Control Related Matters Identified in the Audit which highlights that the one outstanding Audit Finding from FY 2016/17 related to Accounting Policies and Procedures has been implemented and considered closed. Staff is pleased to report that there are no new findings for FY 2018/19.

Highlights of the CAFR results include:

### **Independent Auditor's Report (Financial Section Tab, page 1 last paragraph)**

The auditors have given the City's financial statements a "clean" audit opinion for the year ended June 30, 2019 giving reasonable assurance that the financial statements are presented "fairly, in all material respects..."

### **Management's Discussion and Analysis (MD&A) (pages 5 through 15)**

Page 5 of the CAFR begins the MD&A section of the report wherein summaries are presented for the City on an entity-wide basis. Information is provided in this section with a year-to-year view, explaining how fund balances have changed between fiscal years ending June 30, 2018 and June 30, 2019. Information is also presented on the adopted General Fund budget to actuals.

### Statement of Net Position (page 20)

The Statement of Net Position serves as a useful indicator of a government's financial position. The City's government activities net position is \$115.3 million at fiscal year-end as compared to \$115.8 million the prior year, an overall decrease of \$500K over the prior fiscal year.

The City's business-type activities increased from \$32.8 million to \$38.7 million, an increase of \$5.9 million. The increase is largely attributable to the collection of utility service charges to fund construction of the City's new Water Reclamation Facility

The largest portion of the net assets, \$119.9 million, represents the City's investment in its capital assets and infrastructure. Restricted assets of \$4.9 million are resources that are subject to external restrictions on how they may be used. As of June 30, 2019, unrestricted net position reports a deficit of approximately \$7.7 million.

### Basic Financial Statements (pages 17 through 86, including footnotes)

This section contains basic financial statements, including the "Government-Wide" statement of Net Position and Statement of Activities, financial statements for the fund types including Governmental Funds, Proprietary Funds and Fiduciary Funds.

The footnotes section provides details on significant items such as the City's cash and investments (note 2 beginning on page 61), its long term obligations related to loan payables, pension related debt and compensated absences (note 7 page 68), the net pension liability for both the City's miscellaneous, Fire safety and Police safety pension plans (note 8 on page 71), and a discussion of the City's other post-employment benefit plans (note 9 on page 78).

### Required Supplementary Information (pages 87 through 93)

The schedules of Budgetary Comparison Schedules and Pension Plan Contributions are provided in this section.

### Supplementary Information (pages 95 through 133)

This section provides budget to actual information for "non-major" funds which represent less than 10% of the City's total assets/liabilities/revenues or expenditures.

### Statistical Section (pages 135 through 185)

This section presents demographic statistics and ten-year historical financial data for the City, including information on assessed valuations, fund balances, debt, property tax rates, personnel (full-time equivalent) history, principle employers, and other financial and demographic disclosures.

### General Fund Year-End Revenues Over Expenditures

Through prudent spending and receipt of higher than expected property tax, sales tax, and Transient Occupancy Tax revenues, the City's General Fund closed FY 2108/19 with \$727,820 in revenues over expenditures. This savings is attributable to personnel savings due to vacancies, lower than expected legal fees and other contractual services costs. Lastly, approximately \$167,000 of the savings was due to the early payment of the City's Fire Safety Side fund (CalPERS) in FY 2017/18. Staff expected this CalPERS savings for FY 2018/19 with funds due back to the General Fund Emergency Reserve which funded the prepayment. The vacancies that contributed to this savings have currently been filled and we do not anticipate significant savings for FY 2019/20 at this time.

During the February 11, 2020 Council discussion, staff will recommend to the City Council to appropriate approximately \$658,000 from the FY 2018/19 year-end savings to pay off the unfunded liabilities for the City's Tier II and PEPR (Public Employee Pension Reform Act) CalPERS retirements formulas for the Miscellaneous, Fire and Police plans. There are three benefits to payoff of these unfunded liabilities which are as follows:

1. Result in a savings to the City of approximately \$160,000 in interest that the City will not have to pay over the next two to eleven years (depending on the retirement plan).
2. This will help to prevent the Tier II and PEPRAs formulas from accruing significantly larger unfunded liabilities (as has occurred with the Tier I formulas), saving the city money in the long-term and proactively managing liabilities.
3. Prepayment will result in reduced expenditures for FY 2020/21 of approximately \$100,000 which will assist in budget balancing efforts,

It should be noted that City staff will be recommending that the General Fund year-end revenues over expenditures be used to pay off the unfunded accrued liabilities for all City employees, including employees funded in the Utilities, Harbor and Transit enterprise funds. This will yield savings to the enterprise funds over the next two to eleven years which translates to reduced operating costs for enterprise fund customers. Staff has requested refined pay off amounts and interest savings calculations from CalPERS staff, as such these figures may adjust slightly when presented to Council.

Staff would also note that the Sub-Committee's review and feedback of the FY 2018/19 draft CAFR was appreciated by staff and afforded staff the ability to submit the CAFR for the Government Finance Officers Association (GFOA) Award for excellence in Financial Reporting. After completion of the CAFR, the subcommittee also reviewed the final CAFR document and provided detailed and valuable feedback to staff which will be used further improve the FY 2019/20 CAFR document. Staff appreciates this thorough review and collaboration to make the City's CAFR the best reflection the city. The Subcommittee's report is provided as Attachment 1.

## **CONCLUSION**

Kenneth Pun from The Pun Group will present the FY 2018/19 audit reports to the City Council on February 11, 2020. There are six reports in total as follows:

- City's 2018/19 Comprehensive Annual Financial Report
- Report on Internal Controls
- Communication Letter
- Transit Audit
- Bike Pathways Audit
- Roads Audit

Documents Available for Review at City Hall and the City Website:

1. [FY 2018/19 Comprehensive Annual Financial Report](#)
2. [Report on Internal Controls](#)
3. [Communication Letter](#)
4. [Transit Report](#)
5. [Bike Pathways Report](#)
6. [Roads Audit](#)

## **ATTACHMENT**

1. CFAC Sub Committee Report

DRAFT

Date: \_\_\_\_\_  
To: Morro Bay City Council  
From: Citizens Finance Advisory Committee  
Subject: **Review of June 30, 2019 Comprehensive Annual Financial Report (CAFR)**

The first duty of the Citizens Finance Advisory Committee as listed in the CFAC by-laws is “Annual review of independent financial audit, with recommendations, as appropriate.” To fulfill this duty, CFAC appointed an ad-hoc subcommittee to perform a detailed review of the 2019 CAFR and produce a memo to Council. This memo was reviewed and approved by CFAC at its meeting on \_\_\_\_\_.

Last year, management submitted the City’s 2018 CAFR to the Government Finance Officers Association and was awarded the coveted “Certificate of Achievement for Excellence in Financial Reporting.” In addition, the GFOA reviewer deemed the City “Proficient” in every one of the seventeen grading categories. This is a milestone achievement for which management and Council should be proud. The 2019 CAFR is even better than last year’s, with better and more complete narrative explanations of the financial statements. Moreover, management has fully implemented the auditor’s recommendation from last year that a comprehensive accounting manual be completed and implemented.

Management was completely cooperative with our review of the CAFR. It is obvious that they are dedicated to transparency and accuracy. It is clear that they understand the importance of the CAFR, which is the City’s permanent record in all things financial. However, during our review, we noted certain issues that we believe present opportunities to make the CAFR even more accurate, understandable and relevant. These issues may be organized into three areas: 1) technical, 2) substantive and 3) process. Technical issues (typos, duplications, reverse entries, formatting, headings, dates, etc.), which are inevitable in a complex document of this size, have been discussed directly with management and will not be presented in this report.

## Substantive Issues

### Presentation of Reserves

In the letter of transmittal, management describes the City’s relevant financial policies, which is an excellent practice. Some of the noted resolutions designate Council-approved reserves for the various funds. Res. No. 85-18 is the prevailing document regarding several reserves, including the City’s most important general fund emergency reserve. Management reports on this reserve in the fifth bullet point on page 5 of the Management’s Discussion and Analysis (MD&A), but other reserves are not so clearly reported.

DRAFT

**Recommendation #1:** In the letter of transmittal, management should present a table showing the dollar amounts (fund balance) of the various reserves at fiscal year-end compared with the minimum and target reserves per the noted resolutions. The status of the reserves will be clearly shown in one easy-to-read table.

Committed and Assigned General Fund Balances

In the CAFR there are six budgeted funds rolled up into the financial statements presented for the general fund. Those six funds, with their 6/30/19 fund balances are:

Fund Number and Name	Fund Balance
050 – Vehicle Replacement	\$ 325,747
052 – Facility Maintenance	110,603
460 – Capital Accumulation	207,998
470 – Project Accumulation	295,728
480 – Opportunity Fund	31,448
051 – General Fund Emergency Reserve	3,808,577

For a reason unknown to CFAC, only the facility maintenance fund balance is shown as committed on the general fund balance sheet (page 29), and the remaining \$4,669,499 is shown as unassigned. One could easily mistake this amount as the general fund emergency reserve, but it is not. Management has addressed this on page 5 of the MD&A, which states, “A total of \$4.7 million is held as unassigned with \$3.9 million allocated to the General Fund Emergency Reserve which meets the City’s General Fund reserve policy.” This \$3.9 million figure does not appear anywhere in any of the financial statements, notes or statistical section of the CAFR. It appears that the actual amount is closer to \$3.8 million.

**Recommendation #2:** Show the fund balances of the other general fund sub-funds as “committed” (imposed by City Council) or “assigned” (imposed by management) on the general fund balance sheet on page 29 and on pages 144-145 (refer to note 1 section Q on page 60 for a discussion of committed and assigned fund balances).

Fluctuating Expenses

We note that there are significant fluctuations in expenses in the category of “Employee Wages and Benefits” in the water and sewer enterprise funds (see page 38). This can best be seen in the 10-year trend table shown on pages 150-153. The expense for employee wages and benefits in the water enterprise decreased from \$930,294 to \$230,440 without explanation. Conversely, the same expense in the sewer enterprise increased from \$198,120 to \$794,060 without explanation. The magnitude of these fluctuations is startling. Significant fluctuations

## DRAFT

(though not as severe) are also seen in the harbor enterprise fund expense for employee wages and benefits (page 155).

Significant fluctuations are also seen in the sewer fund's expenses for wastewater treatment and administration (page 153). No explanation is offered.

**Recommendation #3:** Management should explain the causes of these significant expense fluctuations.

### Transfers

When GFOA reviews the CAFR, they provide the City with comments for improvement. One of their comments states:

“Reimbursements should not be displayed in the financial statements as transfers. The disclosure makes it appear as though reimbursements are reported as transfers. Reimbursements should be treated as a reduction to the originally booked expense/expenditure and therefore would not be reported as an item in the external financial statements.”

The City's disclosure regarding transfers (Note 3 on page 65) is the same as the prior year CAFR, so it appears that management did not address GFOA's concern.

Also, without questioning the legitimacy of the transfers, we note that there isn't much in the way of explanation, or citing of authorities to transfer. For example, we see that \$40,808 was transferred from the sewer fund to the water fund, but we don't know why. One curiosity is that the table shows \$106,194 being transferred from the general fund to the general fund.

**Recommendation#4:** Management should draft a more robust Note 3 disclosure of transfers with better explanations and citing of authorities, and they should address GFOA's comment. Transfers concerning only the general fund should be netted to zero.

### Process Issues

The deadline to submit the CAFR to GFOA for the Certificate of Achievement is December 31, or six months after fiscal year end. CFAC has sought to review the CAFR at its December meeting prior to the GFOA submittal. To accommodate CFAC, management pressed the auditor to provide the draft financial statements to meet that schedule with the result that the auditors sent three drafts (12/4/19, 12/5/19 and 12/12/19) each with slightly different numbers. Then they produced the final complete document just prior to the GFOA deadline. This resulted in much confusion and additional work for the subcommittee and management. Management cannot write the Management's Discussion and Analysis (MD&A) portion of the CAFR until the

## DRAFT

auditor provides the completed financial statements. This leads to the risk that some things in the MD&A may not be correct because of the numerous times that management must rewrite and update figures from subsequent financial statement drafts provided by the auditor. Unfortunately, this did in fact occur in 2019 as some of the figures in Table 2 of the MD&A were not updated per the auditor's final draft (compare the 2019 expenses for the water and sewer operating fund on page 10 with the amounts on page 38).

**Recommendation #5:** CFAC should review the CAFR at its meeting in January of each year and write a report (if appropriate) for the Council's consideration at its second January meeting. This means that CFAC's review would be done after the CAFR has been submitted to GFOA.

As to deadlines, management should be most concerned with meeting the GFOA submittal deadline of December 31 and not try to meet CFAC's scheduled December meeting. Management should also review and correct drafts from the auditor prior to any CFAC review. CFAC should receive the CAFR only when management considers it correct and complete.

If CFAC appoints a subcommittee, and if it is convenient for management to involve that subcommittee with the process in December, the subcommittee could review the corrected draft report and assist management as proofreaders at that stage.

In conclusion, management has produced another excellent Comprehensive Annual Financial Report for the City of Morro Bay, which we are confident will be awarded another Certificate of Achievement. We have made five recommendations for issues that we believe can be improved; however, that should in no way overshadow the excellent work that has been done by the City's very competent staff.

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AGENDA NO: B-4  
MEETING DATE: January 21, 2020

# Staff Report

**TO:** Chairman and Committee Members      **DATE:** January 15, 2020  
**FROM:** Jennifer Callaway, Finance Director  
**SUBJECT:** Fiscal Year 2020/21 Budget Dates and CFAC Meeting Dates

**RECOMMENDATION:**

Staff recommends that the Committee receive and file this review of the adopted schedule for the FY 2020/21 budget calendar and CFAC meeting dates.

**BACKGROUND:**

Incorporated into the City of Morro Bay Advisory Boards Handbook and By-Laws, updated December 10, 2019 and approved by Resolution 105-19, the Duties of the Committee include the following:

- Review existing budget document to determine long-term financial sustainability, and make recommendations, as appropriate.
- Review and provide comments on the mid-year budget reports prior to presentation to City Manager
- Review annual budget prior to presentation to the City Council, and make recommendations, as appropriate.

**DISCUSSION:**

At the January 14, 2020 Council Meeting, the City Council approved Resolution 01-20 which included the FY 2020/21 Budget Calendar (Attachment A). The calendar lays out the projected schedule for staff development, public briefing, Citizens Finance Advisory Committee consideration, Council modification, and eventual Council approval of the FY 2020/21 City Budget.

The budget calendar consists of the following dates, with CFAC mid-year and budget review dates highlighted in purple.

**Budget Calendar**

- |          |   |
|----------|---|
| • Feb 18 | Mid-Year Budget Presentation to CFAC                    |
| • Feb 25 | 10-Year Forecast Study Session to Council               |
| • Feb 25 | Mid-year Budget Presentation to Council                 |
| • Feb 28 | Finance provides labor numbers / outline to Departments |
| • Mar 20 | Departments develop internal budgets                    |
| • Mar 17 | CFAC Budget Update                                      |

- Mar 2 5 Department budgets due to Finance
- Mar 30 – Apr 3 Budget Team Meetings
- Apr 6-10 City Manager / Executive Team Budget Meetings
- Apr 13-17 City Manager / Finance finalize draft budget letter
- Apr 21 Draft Proposed Budget Presentation to CFAC
- Apr 22 City Manager delivers draft proposed budget to Council
- May 12 FY 2017-18 3<sup>rd</sup> Quarter Report (if needed)
- May 12 Budget Study Session #1
- May 13 Budget Study Session #2
- May 26 Budget Study Session #3 (if required)
- Jun 9 Budget Approved at Council Meeting
- Jun 23 Backup date for Budget Approval

**Legend**

- Council Meetings
- Council Study Sessions
- Joint or Advisory Board Meetings
- Internal Staff Actions

Specific to CFAC, staff plans to bring forward the mid-year budget update and 10-year Financial Forecast update at the regularly scheduled February 18, 2020 meeting. At this time the Committee can make recommendations to the Council and City Manager on either or both items as deemed appropriate.

At the regularly scheduled CFAC meeting on April 21, 2020 staff will present the draft proposed budget for consideration and feedback. The City Council will receive the draft proposed budget on May 1, 2020 with comments and feedback from the CFAC discussion.

In addition, with the update of the City of Morro Bay Advisory Boards Handbook and By-Laws, the committee will now be meeting nine times during the Calendar year. Staff has reviewed the workload and recommends that no CFAC meetings be held during the months of June, August and September. The remaining nine months of the year, CFAC will meet as schedule on the third Tuesday of the month.

**CONCLUSION:**

Staff recommends that the Committee receive and file this review of the adopted schedule for the FY 2020/21 budget calendar and CFAC meeting dates.

**ATTACHMENT**

1. Resolution 01-20 City of Morro Bay, California Adopting the 2020 City Council Meeting Calendar and Budget Development Schedule

## Goals, Work Plan and Budget Development Schedules

### Budget Calendar

- Feb 18 Mid-Year Budget Presentation to CFAC
- Feb 25 10-Year Forecast Study Session to Council
- Feb 25 Mid-year Budget Presentation to Council
- Feb 28 Finance provides labor numbers / outline to Departments
- Mar 20 Departments develop internal budgets
- Mar 17 CFAC Budget Update
- Mar 25 Department budgets due to Finance
- Mar 30-Apr 3 Budget Team Meetings
- Apr 6-10 City Manager / Executive Team Budget Meetings
- Apr 13-17 City Manager / Finance finalize draft budget letter
- Apr 15 Draft Proposed Budget Presentation to CFAC
- Apr 22 City Manager delivers draft proposed budget to Council
- May 12 FY 2017-18 3<sup>rd</sup> Quarter Report (if needed)
- May 12 Budget Study Session #1
- May 13 Budget Study Session #2
- May 26 Budget Study Session #3 (if required)
- Jun 9 Budget Approved at Council Meeting
- Jun 23 Backup date for Budget Approval

### Legend

- Council Meetings
- Council Study Sessions
- Joint or Advisory Board Meetings
- Internal Staff Actions

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AGENDA NO: B-5

MEETING DATE: January 21, 2020

## Staff Report

**TO:** Chairman and Committee Members

**DATE:** January 15, 2020

**FROM:** Jennifer Callaway, Finance Director

**SUBJECT:** Review WRF Capital Project Quarterly Update Report

### **RECOMMENDATION**

Receive WRF Capital Project Quarterly Update Report.

### **DISCUSSION**

Provided as Attachment 1 is the WRF Capital Project Quarterly update for the period ending December 30, 2019. Public Works Director Rob Livick will provide the staff presentation and be available for questions.

### **ATTACHMENT:**

1. City of Morro Bay Water Reclamation Facility Project Quarterly Report December 30, 2019

Prepared By: JC

Dept Review: \_\_\_\_\_

City Manager Review: \_\_\_\_\_

City Attorney Review: \_\_\_\_\_



MORRO BAY  
**OUR WATER**  
RELIABLE. CLEAN. FOR LIFE.

City of Morro Bay  
Water Reclamation Facility Project

## QUARTERLY REPORT DECEMBER 2019

FINAL | January 2020







City of Morro Bay  
Water Reclamation Facility Project

QUARTERLY REPORT DECEMBER 2019

FINAL | January 2020

This document is released for the purpose of information exchange review and planning only under the authority of Eric T. Casares, October 2019, State of California, P.E. 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
CPUC	California Public Utilities Commission
CWSRF	Clean Water State Revolving Fund
DDW	Division of Drinking Water
Design Build Team	Filanc and Black & Veatch
EPA	Environmental Protection Agency
ESCP	Enhanced Source Control Program
ESDC	engineering service during construction
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
NOI	Notice of Intent
NPDES	National Pollution Discharge Elimination System
NTP	notice to proceed
PA	Programmatic Agreement
PCO	Potential Change Order
PPP	Pollution Prevention Program
Program Manager	Carollo Engineers
Project	Water Reclamation Facility Project
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
Vistra	Vistra Energy
WIFIA	Water Infrastructure Finance and Innovation Act
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.

During the last quarter, the design-build team and the pipeline designer advanced the 90-percent design deliverable for the WRF and Conveyance Facilities, respectively. The 90-percent design deliverables for the WRF and Conveyance Facilities components of the Project will be delivered in early 2020. Construction for the WRF component of the Project is anticipated to start in February/March 2020 following the completion of the Environmental Protection Agency's (EPA's) environmental review, which is required by the Water Infrastructure Finance and Innovation Act (WIFIA) program. The environmental review is being held-up by consultation with the United States Fish and Wildlife Service (USFWS). Construction for the Conveyance Facilities component of the Project is anticipated to start in July 2020.

On July 11, 2019, the California Coastal Commission (CCC) approved the City's Coastal Development Permit (CDP) with special conditions. On July 19, 2019, the City received a Notice of Intent (NOI) to issue the CDP 3-19-0463 that included several conditions that must be met before either the CDP can be issued or before construction can be started. In order to receive the CDP, the City was required to satisfy Special Condition 1 (Revised Final Plans) and Special Condition 2 (Construction Plans). Additional conditions, including Special Condition 6 (Recycled Water Management Plan) and Special Condition No. 13 (Other Authorizations), must be satisfied before construction of the Project can begin. In October 2019, the Program Manager finalized the documents for Special Condition No. 1, No. 2, and No. 6 with CCC staff and the fully executed CDP was received in November 2019. The City will deliver the final Special Condition No. 13 document in January 2020.

Since the City is receiving federal funds through both the WIFIA and Clean Water State Revolving Fund (CWSRF) programs, the Project is subject Section 106 consultation with the State Historic Preservation Office (SHPO). The City delivered the programmatic agreement (PA) to SHPO in the fall of 2019 and met with SHPO staff in October 2019 in Sacramento to finalize the PA. The City received the executed agreement from SHPO in December 2019.

City staff and the Program Manager have been working closely with the EPA's WIFIA staff to complete the Section 7 consultation process with the USFWS regarding the California Red Legged Frog (CRLF). The City and Program Manager have developed the avoidance measures and provided the information necessary for the consultation to be completed. USFWS has indicated that they will make every effort to comply with the EPA's request to expedite completion of the formal consultation by January 22, 2020. Within a week of closing the consultation, the EPA will close their environmental review and the City can issue a notice to proceed (NTP) for construction to the design-build team. Closing the EPA's environmental review is the last obstacle to issuing a construction NTP and beginning construction of the WRF at the South Bay Boulevard site.

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

Table 1 Project Accomplishments and Challenges

Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Receipt of the executed PA from SHPO.			
	Receipt of the fully-executed CDP.			
	Execution of the purchase agreement for the Tri-W property and right of entry agreement with the Shepherd Trust, which gives the City the access needed to start construction of the WRF.			
Water Reclamation Facility	Continued development of the 90-percent design deliverable.			
		As design has continued, additional PCOs have been identified that are being evaluated by the City.	In order to minimize the impacts of future PCOs, the City needs to critically evaluate the need for PCOs and identify cost-saving measures to help offset cost increases.	The overall impact of the PCOs will lead to an increase in the Guaranteed Maximum Price (GMP), but every effort will be made to maintain cost increases within the contingency identified for the WRF component of the Project.
		Missing the 12-month construction Notice to Proceed (NTP) milestone due to CRLF issues..	Complete the consultation with United States Fish and Wildlife (USFW) as expeditiously as possible.	Missing the 12-month NTP milestone in October 2019 will result in some increase to the DB team’s GMP as a result of delay and escalation costs.

<b>Conveyance Facilities</b>	Continued development of the 90-percent design deliverable.			
		Expediting completion of the final design for the Conveyance Facilities.	Possible elimination of intermediate design deliverables.	Further delays in the start of construction could impact the start-up of the WRF and delay compliance with the time schedule order (TSO).
		Receipt of easements necessary to construct the pipelines in the City's existing bike path.	Work closely with Vistra, PG&E, and California Public Utilities Commission (CPUC) to obtain the easements.	Delayed receipt of the easements could complicate or delay construction of the Conveyance Facilities.
<b>Recycled Water Facilities</b>		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 will be delayed (does not impact compliance with the TSO).



## 1.2 Quarterly Budget Revision

The original \$126 million baseline budget was developed in June 2018 (Q4 Fiscal Year 2017/2018) and was used as the basis for the rate study prepared by Bartle Wells Associates (Bartle Wells). At the beginning of each fiscal year, the budget is updated and used as the measure of performance for the Project during that upcoming fiscal year. The budget is then reviewed and reconciled on a quarterly basis so it can be compared to both the current fiscal year and baseline budgets. The next budget reconciliation will occur at the end of Q3 Fiscal Year 2019/2020 (March 31, 2020). A summary of the baseline, reconciled quarterly, and fiscal year budgets are summarized in Table 2. Subsequent budget reconciliations (quarterly) and fiscal year budgets (annual) will also be presented in this table for reference.

Table 2 Budget Revision Summary

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Current Fiscal Year (Q4 FY 18/19)	Quarterly Reconciliation (Q1 FY 19/20)	Quarterly Reconciliation (Q2 FY 19/20)
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000	\$72,598,000	\$72,231,000
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000	\$28,524,000	\$29,224,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000	\$5,212,000	\$5,353,000
General Program	\$24,403,000	\$11,614,000	\$11,801,000	\$11,625,000	\$11,701,000
Construction Contingency	\$9,444,000	\$6,450,000	\$7,132,000	\$7,131,000	\$7,364,000
<b>Total</b>	<b>\$125,941,000</b>	<b>124,597,000</b>	<b>\$125,938,000</b>	<b>\$125,090,000</b>	<b>\$125,873,000</b>

Notes:

(1) Breakdown of the current contingency (\$7,364,000) is as follows: WRF = \$4,605,000; Conveyance Facilities = \$2,458,000; and Recycled Water Facilities = \$300,000

Changes to the Project budget since the completion of the fiscal year budget reconciliation in Q1 Fiscal Year 2018/2019 can be attributed to the following:

- Addition of biological monitoring and mitigation to the Conveyance Facilities and Recycled Water Facilities components of the Project associated with avoidance of the CRLF
- Addition of pre-construction archeological investigations outlined in the PA for the Conveyance Facilities and Recycled Water Facilities components of the Project
- Addition of archeological and tribal representative monitoring for the Conveyance Facilities and Recycled Water Facilities components of the Project

## 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 18/19)	Current (Q1 FY 19/20)	Delta	Status	G	Y	R
<b>1: Total Project Costs</b>	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$125.9 M	\$125.9 M	0.0%	G	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
<b>1.1: WRF Costs</b>	On Site WRF Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$77.3 M	\$76.8 M	-0.6%	G	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
<b>1.2: Conveyance Facilities Costs</b>	Conveyance Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$31.3 M	\$31.7 M	1.3%	G	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
<b>1.3: Recycled Water Facilities Costs</b>	Off Site Injection Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$5.6 M	\$5.7 M	1.8%	G	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
<b>1.4: General Project Costs</b>	General Project Projected Cost at Completion versus the Baseline Budget (budget as of 12/31/19)	\$11.7 M	\$11.7 M	0.0%	G	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
<b>2: Program Manager Earned Value</b>	Ratio of Program Manager Earned Value to Actual Invoiced Cost-to-Date (as of 12/31/19)	1.00	1.14	0.14	G	>= 1.00	0.99 to 0.90	< 0.90
<b>3: Schedule Performance Index<sup>(1)</sup></b>	Ratio of Planned Percent Complete to Actual Percent Complete (as of 12/31/19)	1.00	0.92	-0.08	Y	>=1.00	0.99 to 0.80	<0.80
<b>4: Conveyance Pipeline Installed</b>	Feet of conveyance pipeline installed (thru 12/31/19)	18,500 LF	0.0 LF	0.0%	G	<= 5%	> 5% and <=7.5%	> 7.5%
<b>5: Compliance Date Countdown</b>	Days Remaining to Compliance Date (as of 12/31/19)	1,155 days	832 days	-323 days	Y	<= 365 days	364 days and 180 days	> 179 days

Notes:

(1) 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 December 2019)

Summary of Total WRF Project Cost	
Original Baseline WRF Project Budget <sup>(1)</sup>	\$125,941,000
Current Fiscal Year WRF Project Budget (as of 6/30/19) <sup>(2)</sup>	\$125,884,000
Current WRF Project Budget (as of 12/31/19) <sup>(3)</sup>	\$125,873,000
Budget Percent Change (Current versus Fiscal Year)	0.0%
Total Expenditures for December 2019 <sup>(4)</sup>	\$47,064
Total Expenditures to Date (thru 12/31/19 invoices)	\$15,476,603
Percent of Current WRF Project Budget Expended	12.30%
Summary of Contracted Work	
Total Contracted Amount	\$80,084,640
Percent of Current WRF Project Budget Contracted	63.6%
Total Contracted Amount Expended	\$13,475,585
Percent of Contracted Amount Expended	16.8%
Remaining WRF Project Contracted Amount	\$66,609,055

Notes:

- (1) Developed in June 2018 as the basis of the approved rate surcharge that took effect in July 2019.
- (2) The budget for the Project is reviewed on an annual basis at the end of each fiscal year (June 30th) and is used as the basis of performance for the Project for the upcoming fiscal year.
- (3) The Project budget is reconciled on a quarterly basis and compared to the current fiscal year budget (i.e., September 30th, December 31st, and March 31st)
- (4) Monthly expenditure is significantly less than expected due to the timing of the preparation of this report. Monthly expenditures do not include invoices from the design-build team (Overland Contracting) or Program Manager (i.e., Carollo).

### 3.2 Project Cash Flow

Figure 1 presents the projected and actual expenditures for the Project through December 2019 compared to the Fiscal Year 2019/2020 budget developed at the end of Q4 Fiscal Year 2018/2019. 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 2018/2019 have been combined to improve readability. Milestones have been added to the cumulative fiscal year budget and cumulative forecasted expenditures to show changes in the Project schedule that have occurred between development of the fiscal year budget from June

2019 and the current, reconciled budget developed at the end of December 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. It should be noted that the cash flow in Figure 1 reflects the latest schedule revisions as a result of delays in completion of the hydrogeological work due to issues with access to the Vistra property and delays in receipt of the CDP. While, the compliance with the TSO has been delayed several months due to consultation with the USFWS, completion of construction of the injection wells has been impacted more significantly.

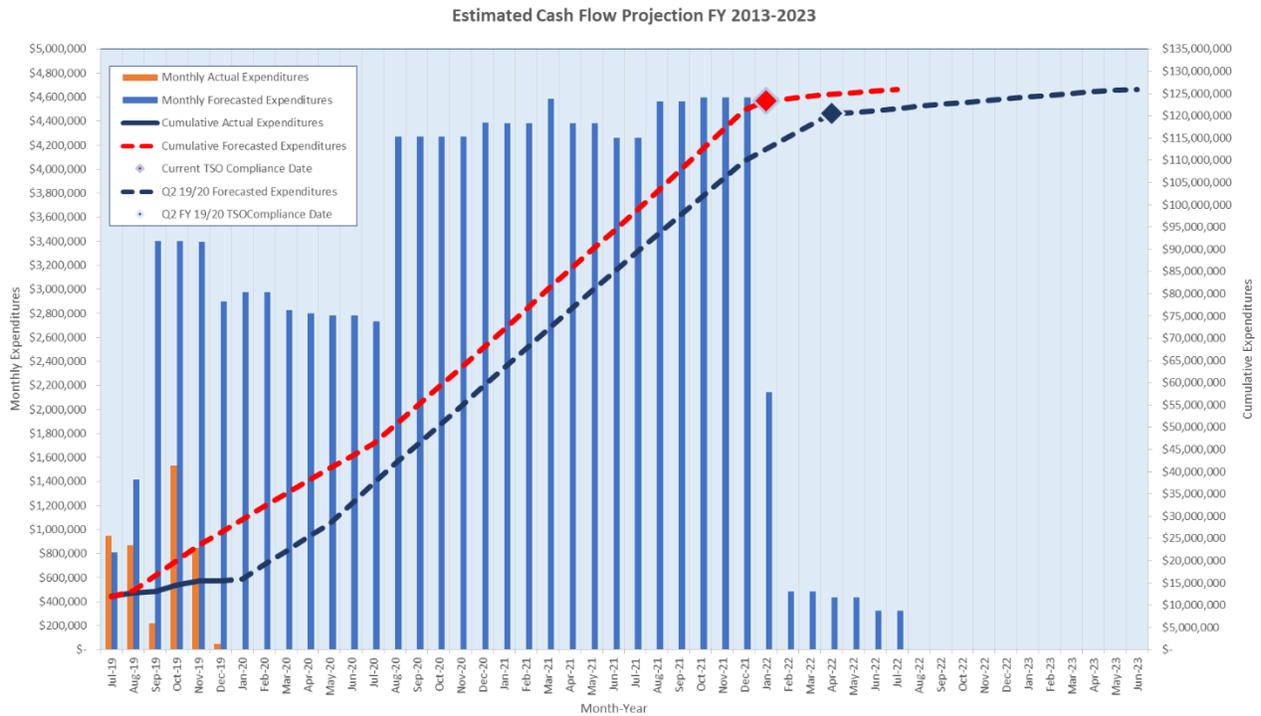


Figure 1 Project Cash Flow Projections and Actual Expenditures

A breakdown of the current Q1 Fiscal Year 2019/2020 budget by fiscal year is included in Table 5.

Table 5 WRF Project Cost Fiscal Year Projections

Project	Actual Expenditures to Date	Remainder FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total Project
General Project	\$7,935,000	\$918,000	\$1,137,000	\$855,000	\$855,000	\$11,701,000
WRF	\$6,206,000	\$13,545,000	\$31,429,000	\$25,656,000	\$-	\$76,837,000
Conveyance Facilities	\$1,018,000	\$2,706,000	\$18,907,000	\$9,050,000	\$-	\$31,682,000
Recycled Water Facilities	\$317,000	\$138,000	\$622,000	\$733,000	\$3,842,000	\$5,653,000
<b>Total</b>	<b>\$15,476,000</b>	<b>\$17,307,000</b>	<b>\$52,095,000</b>	<b>\$36,294,000</b>	<b>\$4,697,000</b>	<b>\$125,873,000</b>

Notes:

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

### 3.3 Project Cost Summary

Table 6 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 6 WRF Project Cost Summary (through December 2019)

Project	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.) <sup>(1)</sup>	Cost Expended to Date (%)
General Project	\$5,992,000	\$8,780,000	68.2%	\$11,701,000	51.2%
WRF	\$6,230,000	\$68,895,000	9.0%	\$76,837,000	8.1%
Conveyance Facilities	\$1,018,000	\$2,052,000	49.6%	\$31,682,000	3.2%
Recycled Water Facilities	\$236,000	\$358,000	65.9%	\$5,653,000	4.2%
<b>Total<sup>(2)</sup></b>	<b>\$13,476,000</b>	<b>\$80,085,000</b>	<b>16.8%</b>	<b>\$125,873,000</b>	<b>10.7%</b>

Notes:

- (1) Cost includes the total anticipated cost for each element of the Project.
- (2) Actual total expenditures are equal to \$15,476,000 (Table 4), but includes \$2,000,000 of City costs (i.e., labor, expenses, etc.)

### 3.4 Detailed Project Costs

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

Table 7 General Project Activities Cost Summary (through December 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
ESA	\$412,080	\$412,920	99.8%
Far Western	\$124,212	\$130,113 <sup>(1),(2)</sup>	95.5%
Kestrel	\$194,823	\$219,872	88.6%
Bartle Wells Associates	\$61,908	\$64,000	96.7%
JoAnn Head Land Surveying	\$97,693	\$102,644	95.2%
JSP Automation	\$21,778	\$63,500	34.3%
Carollo Engineers, Inc. <sup>(3)</sup>	\$1,765,115	\$4,280,812	41.2%
<b>Total</b>	<b>\$2,677,608</b>	<b>\$5,273,861</b>	<b>50.8%</b>

Notes:

- (1) Cost includes planned or anticipated amendments to active consultant agreements including a \$5,469 amendment that will be executed in January 2020 by City staff.
- (2) An additional amendment for pre-construction investigations for the Conveyance Facilities component of the project is currently being negotiated.
- (3) Total estimate at completion for Program Management/Construction Management is projected at \$9.8 million.

Table 8 WRF Cost Summary (through December 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
Overland Contracting	\$6,205,848	\$68,870,572 <sup>(1)</sup>	9.0%
<b>Total</b>	<b>\$6,205,848</b>	<b>\$68,870,572</b>	<b>9.0%</b>

Notes:

(1) Cost includes final value for Amendment No. 1 of \$1,636,060 and the original contract value of \$67,234,512.

Table 9 Conveyance Facilities Cost Summary (through December 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
Water Works Engineers (WWE)	\$1,018,474	\$2,052,387	49.6%
<b>Total</b>	<b>\$1,018,474</b>	<b>\$2,052,387</b>	<b>49.6%</b>

Table 10 Recycled Water Facilities Cost Summary (through December 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
GSI	\$387,020	\$508,947	76.0%
Middle Earth	\$6,570	\$6,810	96.5%
<b>Total</b>	<b>\$393,590</b>	<b>\$515,757</b>	<b>76.3%</b>

### 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 (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). Since that time, the City and Program Manager have worked with the design-build team to value engineer Change Order No. 10 and reduce the cost by more than \$200,000. The City therefore amended the value for Amendment No. 1 to \$1,636,060 that was executed by the City in January 2020. While no new change orders were approved in Q2 FY 2019/2020, the City and Program Manager have been negotiating several potential change orders (PCOs) with the design-build team that will be brought to the Public Works Advisory Board (PWAB) in February 2020 for review and the City Council in March 2020 for approval. The seventeen (17) approved change orders are summarized in Table 11.

Table 11 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	\$516,583
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)
<b>Total</b>			<b>\$1,636,060</b>

### 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 applied for a three reimbursement requests that will exhaust the planning loan. A summary of these requests are summarized in Table 12.

Table 12 Summary of Reimbursement Requests

Agency	Description	Date	Value
State Water Board	CWSRF Planning Loan	December 2018	\$289,595
State Water Board	CWSRF Planning Loan	November 2019	\$6,431,925
State Water Board	CWSRF Planning Loan	December 2019	\$3,860,506
<b>Total</b>			<b>\$10,582,026</b>

## 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 baseline schedule. The dark blue bars represent the current actual progress through December 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 13 are the milestones in the TSO.

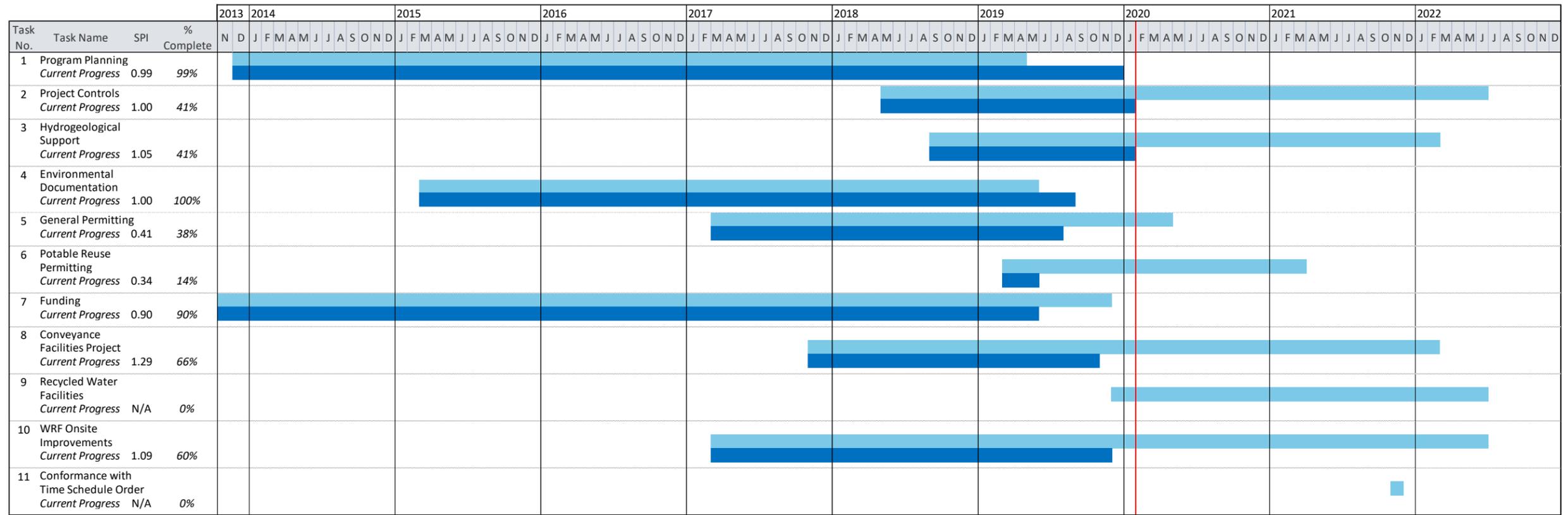
Table 13 Time Schedule Order Milestone Summary

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 <sup>(1)</sup>	-
Award of Contract for Construction of Conveyance Facilities	November 30, 2019	June 17, 2020	-
Completion of WRF Improvements with Completion Report	December 30, 2022	April 11, 2022	-
Full compliance with final effluent limitations	February 29, 2023	April 11, 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 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.





Project SPI: 0.92  
 Program % Complete: 66%

Baseline Schedule  
 Actual Progress-To-Date

Figure 2 Project Summary Schedule



An expanded milestone schedule has also been developed for outstanding Project activities.

Table 14 Expanded Milestone Schedule

Milestone	Baseline Schedule due Date	Planned Completion Date
<b><u>General Project</u></b>		
Compliance with the TSO <sup>(1)</sup>	November 11, 2021	April 11, 2022
<b><u>Water Reclamation Facility</u></b>		
Begin Construction	August 08, 2019	February 03, 2020
Deliver 90 Percent Design	October 24, 2019	February 03, 2019
Substantial Completion	November 11, 2021	April 11, 2022
Final Completion	June 09, 2022	October 27, 2022
<b><u>Conveyance Facilities</u></b>		
Deliver 90 Percent Design	October 15, 2019	January 24, 2020
Deliver 100 Percent Design	December 17, 2019	March 27, 2020
Bid Advertisement	February 21, 2020	April 01, 2020
Award Construction Contract	May 08, 2020	June 17, 2020
Substantial Completion	September 17, 2021	October 22, 2021
Final Completion	November 19, 2021	December 24, 2022
<b><u>Recycled Water Facilities</u></b>		
Select Preferred Injection Area	May 28, 2019	February 28, 2020
Deliver 30 Percent Design	August 04, 2020	July 09, 2021
Deliver 60 Percent Design	November 10, 2020	October 15, 2021
Deliver 90 Percent Design	February 16, 2021	January 21, 2022
Deliver 100 Percent Design	April 27, 2021	April 01, 2022
Award Construction Contract	July 21, 2021	June 24, 2022
Substantial Completion	April 21, 2022	April 28, 2023
Final Completion	June 21, 2022	June 23, 2023

Notes:

(1) The TSO requires compliance with full secondary treatment by February 28, 2023.



## Section 5 DESIGN AND PROCUREMENT

### 5.1 Design Status

No new design contracts for the Project were executed in Q2 Fiscal Year 2019/2020. A summary of the existing design contracts is included in Table 15 below.

Table 15 Procurement Status (through December 2019)

Project Name	Current Contract Amount	Amount Expended	30%	60%	90%	100%	Final
WRF	\$4,821,229 <sup>(1)</sup>	\$6,205,849	✓	✓		NA	
Conveyance Facilities	\$1,869,707 <sup>(2)</sup>	\$1,018,473	✓	✓			
Recycled Water Facilities	\$0	\$0					

Notes:

- (1) The total value of the Overland Contracting contract is \$68,870,572, but includes \$4,821,229 allocated for design.
- (2) The total value of the Water Works Engineers contract is \$2,052,387, but includes \$182,680 for engineering services during construction (ESDC).

### 5.2 Procurement

No design or design-build contract procurements were performed in Q2 FY 2019/2020. Table 16 presents a summary of the procurement activity for the Project.

Table 16 Procurement Status (through December 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 2020				



## Section 6

# CONSTRUCTION STATUS

### 6.1 Construction Summary

During Q2 Fiscal Year 2019/2020, design activities continued for the WRF component of the Project. However, construction for the WRF is not anticipated to start until early February 2019. Table 17 presents a summary of project construction progress and costs through December 2019.

Table 17 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%
<b>Construction Total</b>	<b>\$0</b>	<b>\$62,413,335</b>	<b>\$64,281,242</b>	<b>3.0%</b>

Notes:

(1) The total value of the Overland Contracting contract is \$68,870,572, but includes \$4,821,229 for design.

### 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 has been a total of zero reported incidents through December 2019.



## Section 7

# OTHER PROGRAM ACTIVITIES

### 7.1 Public Outreach

In November and December 2019, outreach activities were focused around the underground utility location work (i.e., potholing) for the Conveyance Facilities component of the Project. Information about the work was developed and posted online and given to the Chamber of Commerce for distribution and front desk at City Hall. No calls were received through the Project information line about the underground utility location activities.

To date, contact has been made with about 70 businesses along the Conveyance Facilities pipelines alignment, including one-on-one meetings and pop-ins to drop off Project information. The purpose of the one-on-one meetings is to give businesses a status update and gather business access and operations information that can help inform the development of construction work restrictions and traffic control guidelines. Important information gathered includes parking information, driveway access and off-street circulation, large delivery/pick up vehicle scheduling, hours of operation and peak business times, types of customer traffic (e.g., appointments and walk-ins, vehicle and pedestrian) and point of contact verification.

Currently, the information gathered from the business outreach is being compiled for use by the Conveyance Facilities design engineer in determining construction work restrictions that will be included in the bid packages and used by the contractor to finalize the traffic control plans. During the one-on-one meetings with businesses, it became clear that businesses would like more regular updates about the Project. An e-newsletter will be used to help provide regular updates to stakeholders. The first e-newsletter will be distributed to businesses by the end of January 2020.

The Program Manager's outreach team is preparing a new public website to house project updates, documents and resources. The website will be more user-friendly and will include space for construction information in the future.

A City email address ([wrfinfo@morrobayca.gov](mailto:wrfinfo@morrobayca.gov)) has been established alongside the information line (877-MORROBAYH2O) to field stakeholder inquiries.

### 7.2 Permitting Activities

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

- Continued developing the Enhanced Source Control Program (ESCP) required by the Division of Drinking Water (DDW) for potable reuse projects.
  - Followed-up with businesses that were initially contacted during the Industrial Waste Survey (IWS) but did not receive a reply.
- Consultation with SHPO is needed for compliance with the National Environmental Policy Act (NEPA) required to secure WIFIA and CWSRF funding.

- The City received the final, executed PA from SHPO in December 2019 and is ready to start construction for the WRF portion of the Project.
- The City received a letter from USFWS in October 2019 indicating they did not agree with the EPA's finding to not adversely affect the CRLF. This finding was communicated in a letter sent to USFWS in July 2019. Receipt of this letter extended the consultation process and prevented the EPA from closing their environmental review. In late December 2019, the EPA received a letter from the USFWS indicating they would make every effort to expedite the formal consultation process by January 22, 2020. The City and Program Manager have supported the EPA with USFWS consultation with the following activities:
  - Preparing an initial response letter to the USFWS in October 2019.
  - Participating in numerous conference calls to discuss the details of the consultation process with the EPA and USFWS.
  - Providing additional information to USFWS in December 2019 to complete the consultation process.

### 7.3 Funding Status

- Coordination with WIFIA staff to facilitate the environmental review and finalize loan terms. The City will be bringing the final loan terms and applicable resolutions to the Morro Bay Public Facilities Corporation (Corporation) and City Council in January 2020.
- Coordination with CWSRF staff to facilitate the environmental, technical and financial review. The City anticipates signing a loan with CWSRF in spring 2020.
- Continued development of the project report for the United States Bureau of Reclamation (USBR) Title XVI Grant Program. The City plans to apply for the Title XVI Grant Program in 2020.

### 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 October 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 the 60-percent design deliverable in August 2019. The design-build team has continued development of the design and anticipates delivering the 90-percent design deliverable in February 2020.

#### 8.1.4 Upcoming Activities

The next step in the design-build process is the start of construction. In addition, the design-build team is continuing to advance the design and is planning to deliver the 90 percent submittal in November 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, the construction is being held-up by the two items are on the critical path for WRF construction. These include issuance of a CDP by the CCC (anticipated October 2019) and completion of the SHPO consultation process (anticipated October 2019).

Table 18 WRF Performance Measures

Performance Measures	Target	Current	Status
Construction Cost <sup>(1),(2)</sup>	\$67.2M	\$68.9M	
Construction Contingency <sup>(3),(4)</sup>	\$6.2M	\$4.6M	

Notes:

(1) Project budget and current contract amount (≤5% over target = Green, between 5% and 10% over target = Yellow, >10% over target = Red).

- (2) The GMP includes costs for both design and construction of the WRF.
- (3) Project budget and current amount (≤50% of target = Green, between 0% and 50% of target = Yellow, ≤0% of target = Red).
- (4) The Program Manager initially allocated \$6.2 million for contingency for the WRF component of the project. With execution of Amendment No. 1, \$1.6 million has been moved from contingency to the GMP leaving \$4.6 million in contingency.

Table 19 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)	October 27, 2022				
Schedule Percent Complete	29.6%				
Budget					
Engineer's Estimate (Construction Cost + 10% Construction Contingency)	\$73,475,845				
Award Amount (including Design Cost)	\$67,234,512				
Change Order Total	\$1,636,060				
Current Contract Value	\$68,870,572				
Percent Change	2.4%				
Work Completed					
Actual Cost -to-Date	\$6,205,848				
Percent Complete (Percent Expended)	9.0%				
Construction Management Statistics					
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	68	17	1
Total Responded To <sup>(1)</sup>	0	0	17	17	1
Total Pending	0	0	25	0	1
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

Notes:

- (1) 13 of the PCOs that were reviewed were eventually eliminated or resulted in a no-cost change.

## 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 force mains and a wet weather/brine discharge force main. 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 transmission main 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 WRFAC and the City Council in December 2018 and January 2019, respectively. In June 2019, WWE, City staff, and the Program Manager presented the Final-Draft CDR to both WRFAC and City Council. WWE delivered the 60 percent design submittal in September 2019 and is currently preparing the 90-percent submittal.

### 8.2.5 Upcoming Activities

WWE recently completed the utility investigations (i.e., potholing) in November/December 2019. During this time, a total of 82 potholes were completed to support the development of the 90-percent design of the Conveyance Facilities.

### 8.2.6 Project Challenges

Access to private property has caused delays in this element of the property. Access to the PG&E and Vistra properties is no longer an issue and the field work needed to advance the design of the Conveyance Facilities has been completed. The City is now working to secure the easements necessary to construct the pipelines in the City’s existing bike path.

Table 20 Conveyance Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost <sup>(1)</sup>	\$0.0M	\$0.0M	
Construction Contingency <sup>(2)</sup>	\$2.5M	\$0.0M	
Number of Feet of Pipelines Constructed <sup>(2)</sup>	18,500 LF	0 LF	

Number of Days of Full Road Closures <sup>(1)</sup>	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 = Green, between 5% and 10% over target = Yellow, >10% over target = Red).
- (2) Project budget and current amount (≤50% of target = Green, between 0% and 50% of target = Yellow, ≤0% of target = Red).

Table 21 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)	\$26,475,000				
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%				
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 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

Since beginning work in November 2018, GSI has completed several of the tasks necessary to recharge 800 to 825 acre-feet per year of recycled water with a series of injection wells in the Lower Morro Groundwater Basin. To this end, GSI has:

- Installed groundwater monitoring devices in all of the City's active production wells and seawater wells.
- Utilized the numerical groundwater model of the Lower Morro Groundwater Basin for particle tracking and solute transport modeling.
- Characterized the eastern (Narrows) area of the basin with cone penetration testing, characterized the hydrogeologic characteristics of the Narrows area with installation of a monitoring well and conducting aquifer testing.
- Began coordination with Vistra for the evaluation of the western injection site.

### 8.3.5 Upcoming Activities

In the coming months, GSI will complete the evaluation of the western injection site, including aquifer testing, conducting a pilot injection testing program in coordination with the RWQCB and DDW requirements. This injection testing will occur over a period of several weeks and will include tracer, travel time and clogging analyses. Based on results of the injection testing and travel time analyses, the groundwater model will be updated, the results of which will be incorporated into a summary report, documenting the findings, conclusions and recommendations for full-scale injection well system. We anticipate completing this work by the end of September 2020.

### 8.3.6 Project Challenges

As mentioned previously, access challenges for the Vistra property have prevented the Recycled Water Facilities from advancing through Phase 3. A work plan was submitted to Vistra in May 2019 and was anticipated that characterization of the west injection area would begin shortly after receipt of the CDP for the Project in November 2019. However, the City has continued to have problems accessing the Vistra property and the Morro Bay Mutual Water Company Well

Table 22 Recycled Water Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost <sup>(1)</sup>	\$0.0M	\$0.0M	
Construction Contingency <sup>(2)</sup>	\$0.3M	\$0.0M	

Notes:

- (1) Project budget and current contract amount (≤5% over target = Green, between 5% and 10% over target = Yellow, >10% over target = Red).
- (2) Project budget and current amount (≤50% of target = Green, between 0% and 50% of target = Yellow, ≤0% of target = Red).

Table 23 Recycled Water Facilities Summary

Schedule					
Selection of the Injection Site					NA
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