



CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

AGENDA

Mission Statement

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

Agenda

Tuesday, May 18, 2021 - 3:00 PM

Held Via Teleconference

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this Meeting will be conducted telephonically through Zoom and broadcast live on Cable Channel 20 and streamed on the City website (click [here](#) to view). Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Vet's Hall will not be open for the meeting.

Public Participation:

In order to prevent and mitigate the effects of the COVID-19 pandemic, and limit potential spread within the City of Morro Bay, in accordance with Executive Order N-29-20, the City will not make available a physical location from which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:

- *Community members are strongly encouraged to submit agenda correspondence in advance of the meeting and watch the meeting live on either cable Channel 20 or as streamed on the City's [website](#). Agenda correspondence may be mailed the CFAC Committee care of the City Clerk at 595 Harbor Street, Morro Bay, CA 93442, or emailed to the City Clerk's office at cityclerk@morrobayca.gov prior to the meeting will be published on the City website with a final update one hour prior to the meeting start time. Agenda correspondence received less than an hour before the meeting start time may not be posted until after the meeting.*
- *Members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).*
- *Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided below. Please use the "raise hand" feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.*

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNWRWUQT09>

Password: 135692

- Or Telephone Attendee: 1(408) 638-0968 or 1 (669) 900 6833 or 1 (346) 248 7799;
Webinar ID: 827 2274 7698; Password: 135692; Press **"* 9"** (star-9) to **raise your hand** for
Public Comment

A. CONSENT CALENDAR - None

B. BUSINESS ITEMS

1. BRIEF FINANCE DIRECTOR UPDATE

RECOMMENDATION: Receive and file.

2. DISCUSSION AND INPUT ON THE MEASURES Q AND E FISCAL YEAR (FY) 2021/22
DRAFT PROPOSED BUDGET

**RECOMMENDATION: Receive Proposed FY 2021/22 Measures Q and E Budget and
provide feedback.**

3. DISCUSSION AND INPUT ON THE DRAFT PROPOSED FY 2021/22 OPERATING
BUDGET

**RECOMMENDATION: Receive the draft Proposed FY 2021/22 General Fund Operating
Budget and provide feedback and comment.**

4. REVIEW WATER RECLAMATION FACILITY ("WRF") QUARTERLY UPDATE REPORT

**RECOMMENDATION: Receive the Q3 2021 WRF Quarterly Update Report and provide
input.**

5. THIRD QUARTER INVESTMENT REPORT (PERIOD ENDING MARCH 31, 2021) FOR
FISCAL YEAR (FY) 2020/21

**RECOMMENDATION: Receive the Third Quarter Investment Report (period ending
March 31, 2021) for FY 2020/21**

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

AUGUST 17, 2021

E. ADJOURNMENT

**THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 74 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 805-772-6201 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 UPON REQUEST BY
CALLING THE CITY HALL AT 805-772-6201.**

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

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AGENDA NO: B-2

MEETING DATE: May 18, 2021

Staff Report

TO: Chairman and Committee Members

DATE: May 13, 2021

FROM: Katie Lichtig, Interim Finance Director

SUBJECT: Discussion and Input on the Measures Q and E Fiscal Year (FY) 2021/22 Draft Proposed Budget

RECOMMENDATION

Receive Proposed FY 2021/22 Measures Q and E Budget and provide feedback.

BACKGROUND

The City has focused on financial sustainably providing services and programs for nearly the past two decades. Dating back more than 15 years, the City has considered ways to fund the services and programs most desired by the community in the wake of lost revenues associated with the closure of the Morro Bay Power Plant and increased costs outside the City's direct control. As a result, the Council placed a half percent local sales tax on the ballot for voter consideration (Measure Q-06). "The Morro Bay Vital Public Services Restoration and Protection Measure." (Measure Q-06) passed with 65 percent of Morro Bay voters in November 2006. The specific language was:

"To preserve Morro Bay's safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens' advisory committee to review annual expenditures?"

With the passage of Measure Q, Chapter 3.22 of the Morro Bay Municipal Code was adopted. A citizens' oversight committee (working as the Citizens' Finance Advisory Committee) was required by Measure Q. The Citizens' Finance Advisory Committee (CFAC) was established and plays an important role in recommending proposed expenditures of Measure Q proceeds to Council and reporting to the Council whether Measure Q revenues have been spent as intended when the budget is adopted. This review meets one of the roles of CFAC.

Like Measure Q, Measure E is a general-purpose revenue source and revenues are deposited in the general fund. The proposed uses are captured in the language of Measure E as follows:

Prepared By: _____ KL _____ Dept Review: _____
City Manager Review: _____ City Attorney Review: _____

MORRO BAY'S LOCAL RECOVERY/EMERGENCY PREPAREDNESS MEASURE	YES
To protect City of Morro Bay's financial stability, local property values and City services, such as maintaining Morro Bay's local Fire/Police Departments, 24/7 paramedics, 911 emergency response, health emergency/disaster preparedness; keeping beaches, public areas safe/clean; retaining/attracting businesses; and other general City services, shall the measure establishing 1¢ sales tax providing approximately \$2,000,000 annually until ended by voters be adopted, requiring independent audits, public oversight, all funds used locally?	NO

The passage of Measure E and the continuation of Measure Q presents new opportunities to focus on certain core services, programs, and goals. On April 13, 2021, the Council adopted the following principles that assisted Staff in developing the proposed allocations to CFAC which are now contained in the Proposed FY 2021/22 Budget.

1. Maintain public safety services by funding positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include Morro Bay Fire Department, Morro Bay Police Department, and Morro Bay Harbor Department personnel, equipment, and support service in addition to the Fire Headquarters Debt service and the Fire Engine loan repayment;
2. Maintain or enhance cleanliness and safety of public space such as parks, waterfront and the beach by funding personnel, supplies, operating expenses, and equipment to support City operations in departments including Public Works Consolidated Maintenance and Harbor Department;
3. Invest in infrastructure and equipment such as street paving, storm drains, vehicle replacements that support City services. This may include increasing the City's capacity to implement the current backlog of unfunded infrastructure projects.
4. Ensure City's financial health by maintaining appropriate reserves to respond to economic downturns, natural disasters and/or health emergencies as well as other unforeseen challenges or opportunities.

The proposed uses of Measure Q and E revenues meet these principles.

DISCUSSION

In April 2021, staff presented a draft Measure Q and E expenditure plan to the Citizen's Finance Advisory Committee (CFAC) which aligned the proposed expenditures with these principles. The CFAC made modifications to fund more public safety personnel (Police and Fire sworn staff) and reduce the amount dedicated to storm drain repairs and maintenance. The proposed expenditure plan models the request from CFAC with one minor exception (explained below) and includes the following major categories of expenditures:

- Staffing: To maintain and/or restore positions in the Police Department (3 positions), Fire Department (3 positions and overtime), Public Works – Consolidated Maintenance (2 positions) and the Harbor Department (Lifeguard Program).
- Equipment replacement in the Police Department (Records Management System and Report Dictation System), Public Works – Consolidated Maintenance (truck replacement) and Harbor Department (replace firefighting equipment).

- Services: To maintain and/or enhance public spaces through sidewalk replacement and trash disposal on the waterfront.
- Capital Improvement project implementation support: A pool of Measure Q & E funding is identified so that staff capacity can be enhanced to ensure CIP projects are implemented in a timely fashion.
- Capital Improvement Investments: Street paving, Storm drain maintenance and repair as well as intersection improvements at State Route 1/Main Street/State Route 41 are included in this plan.
- Debt Service on Fire Station United States Agriculture Department loan and repayment to the General Fund Emergency Reserve for purchase of a fire engine.
- Restore the General Fund Reserve

The detailed funding plan follows:

Purpose	2021-2022 Measure Q & E Request Description
Replacement for Engine 5391 with Type 1 Fire Combination Pumper	Fund a 5-year payment schedule for a Fire Apparatus that meets Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 has been in service in Morro Bay since 1994 and was on the Fire Department's replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A \$275,000 down payment is being funded by the Bertha Shultz Trust with a total price of \$675,000.
Consolidated Maintenance Truck Replacement	Truck has racked up more than 150,000 miles, body and components are severely rusted and daily use is required. Existing trust will be removed from the fleet inventory in accordance with fleet disposal procedures. Having a reliable truck will assist the team maintain public spaces, parks, Embarcadero, restrooms, and the waterfront.
Harbor Patrol Firefighting System Replacement	Replace ineffective and old firefighting system in new (surplus) harbor patrol vessel being acquired from Port San Luis. This will allow the Harbor Department to maintain the department's firefighting capability on the waterfront which directly supports keeping beaches, harbor and waterfront safe and clean.
Contribution to the General Fund Emergency Reserve	Due to the impacts of COVID-19 Pandemic the General Fund Emergency Reserve (GFER) was used to support General Fund operations due to the precipitous drop in General Fund Revenues. In FY 2020/21 a total of \$1,438,192 of the GFER balance This contribution will assist to restore a portion of the GFER.
Storm Drain Maintenance and Repairs	This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The flow in this area flows to the northeast and causes flooding in the 10-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 27-inch pipeline is added to convey the flow west.
Pavement Management Program	This project will restore and maintain the City's streets. This funding is supplemented by SB 1 Road Maintenance and Rehabilitation Account (RMRA) Revenues. SB 1 gas tax of \$300,000 carry-forward from previous years will supplement the Measure Q & E funds such that a total of \$1,150,000 will be dedicated to street paving in FY 2022-22.
State Route (SR) 1/Main Street at SR 46 Intersection Improvements	Replace the existing 4-way stop signs by either constructing a modern roundabout design to eliminate the closely spaced adjoining intersections or install new coordinated traffic signals using the existing intersection configuration. The SR1/Main St.@ SR41 Interchange Improvements will reduce congestion and

	decrease Greenhouse Gas emissions. The project contributes to two of Council's Adopted Goals by advancing Economic Sustainability and Improving Infrastructure. These funds will be the City's match to SLO Council of Governments funding for continuation of the next phase of design.
Police Department Staffing	Funding to support 2 Police Officers and 1 Sergeant. These costs include regular pay and all benefits. Maintain current sworn officer strength in MBPD. These police officers and Sergeant support the Police Department's commitment to public safety. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.
Fire Department Staffing	Funding to support 2 Engineer/Paramedic and one Captain Paramedic. These costs include regular pay, benefits, and Federally mandated overtime. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.
Consolidated Maintenance Staffing	Funding to support one existing and one restored Consolidated Maintenance Workers. position will enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations.
Harbor Department staffing - Lifeguard Program	Funding to support the ocean lifeguard program. This support allows the Harbor Department to maintain 2019 service levels, keep beaches safe and clean, and maintain 911 emergency response.
Public Works Engineering CIP Implementation Resources	Pool of funding to restore capacity in Public Works Engineering to achieve implementation of Capital Improvement Projects. Approach to pursue (such as staffing consultant support or another approach) will be a top priority for the new Public Works Director to assess and propose a pathway forward.
Records Management System	Morro Bay Police Department must update the existing Records Management Systems (RMS) to be compatible with San Luis Obispo County Sheriff's Office dispatch. Updating and upgrading is mandatory to maintain inter-agency operations. This one-time expense will require \$19,470 in on-going maintenance once implemented.
Police Report Dictation System	This system would allow officers to dictate their reports instead of typing. This is an efficiency tool and may reduce overtime when a report has to be written at the end of a shift.
Fire Station #53 debt service + 10% reserve	The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, Council has expressed an intent to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold.

The funding plan contained in this proposed budget mirrors CFAC's desires with one exception. Instead of funding one Fire Engineer/Paramedic and two Fire Captains, the proposal outlined below includes two Fire Engineer/Paramedic and one Fire Captain. This was done to maximize Measure Q and E funds available for storm drain repairs and maintenance and create parity between Morro Bay Police and Fire Departments (2 line sworn personnel and 1 supervisor for each department). In order to invest \$600,000 in storm drains the General Fund will contribute \$286,000 to this project.

The chart on the next page provides proposed expenditure details by department.

SEE NEXT PAGE FOR DEPARTMENT SUMMARY

MEASURE Q & E EXPENSES BY DEPARTMENT

Department: 4110 - Police Department	
<i>Personnel Services</i>	
Regular Pay	\$ 257,755.00
Employer Paid Benefits	\$ 74,649.06
Pension Normal Cost	\$ 61,113.71
Pension Unfunded Accrued Liab (UAL)	\$ 67,234.36
Other Post Employment Benefit (OPEB) Expense	\$ 30,247.20
<i>Account Classification Total: Personnel Services Police</i>	\$ 460,752.13
Contract Services	\$ 109,450.00
<i>Account Classification Total: Services Police</i>	\$ 109,450.00
Department Total: 4110 - Police Department	\$ 570,202.13

Department: 4210 - Fire Department	
Regular Pay	\$ 272,415.00
Overtime Pay	\$ 44,267.44
Part-Time Pay	\$ 131,577.12
Employer Paid Benefits	\$ 75,635.45
Pension Normal Cost	\$ 50,659.94
PERS Unfunded Accrued Liability	\$ 79,042.61
Overtime Transfer to General Fund	\$ 73,875.56
<i>Account Classification Total: Personnel Fire Department</i>	\$ 727,473.12
Debt Service Interest Expense	\$ 44,903.22
Debt Service Principal Repayment	\$ 45,903.78
<i>Account Classification Total: Debt Service Fire Station</i>	\$ 90,807.00
Department Total: 4210 - Fire Department	\$ 818,280.12

Department: 5205 - Public Works - Engineering	
Contracted Services	\$ 175,000.00
Sub-total Public Works Engineering	\$ 175,000.00
Department: 5251 - Public Works Consolidated Maintenance	
Regular Pay	\$ 112,504.00
Part-Time Pay	\$ 61,776.00
Employer Paid Benefits	\$ 56,508.68
Pension Normal Cost	\$ 8,550.30
PERS Unfunded Accrued Liability	\$ 30,239.91
<i>Account Classification Total: Personnel Consolidated Maint</i>	\$ 269,578.90
Contracted Services	\$ 25,000.00
Sub-total Public Works - Consolidated Maintenance	\$ 294,578.90
Department Total: PW Engineering & Consolidated Maintenance	\$ 469,578.90

Department: 6510 - Harbor Operating	
Part-Time Pay Lifeguard	\$ 67,730.70
Employer Paid Benefits Lifeguards	\$ 13,269.30
<i>Account Classification Total: Personnel Harbor</i>	\$ 81,000.00
Solid Waste Disposal	\$ 70,000.00
Equipment Acq - Firefighting for HP boat	\$ 50,000.00
Department Total: Harbor Operating & Harbor Lifeguards	\$ 201,000.00

Totals by Department excluding all Transfers except for Fire OT	\$ 2,059,061.16
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At the April CFAC meeting, the Committee asked for additional details on the locations of expenditures for Storm Drain Project. Attachment 2 includes the detailed write up of this project. This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The rationale for this section is provided in Attachment 2.

Attachment 3 is the CIP narrative for the Pavement Management Plan project.

ATTACHMENTS

1. FY 2021/22 Draft Proposed Budget Section E - Measures Q and E
2. CIP Narrative Storm Drain Project
3. CIP Narrative Pavement Management Plan Project

MEASURE Q & E REQUESTS

PROGRAM PURPOSE

Measure Q, approved in 2006, authorized a one-half cent increase in the transaction and use tax to preserve Morro Bay's safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services. Measure E, a one cent increase to the transaction and use tax (approved by the Morro Bay voters in November 2020), articulated the following priorities: maintain 24/7 911 public safety emergency response, 24/7 police services, 24/7 paramedic services, health emergency/disaster preparedness; keep beaches, public areas, and public restrooms safe and clean (including the Embarcadero and Harbor); invest in infrastructure; and protect Morro Bay's financial stability and City services. Both Measures (increasing the City sales tax to one and one-half cent) included a provision that required an independent annual financial audit and establishing an independent citizens' advisory committee to review annual expenditures.

BUDGET OVERVIEW

As with many of the City's funds, the city's Measure Q & E fund, funded through an add-on 1 1/2 percent transaction tax, was significantly impacted as a result of the COVID-19 pandemic and corresponding Federal, State and Local shelter-at-home orders, effectively closing businesses and stalling the nation's economy. In FY 2019/20 actual revenues from Measure Q equaled



to \$987,019. This impact is ten percent below the adopted budget and \$238,917 less than the prior year's actual revenues. Staff is currently projecting that Measure Q will be impacted again this year and estimated Measure Q revenues will equal \$942,000. It is important to note that expenditures that otherwise would have been made using Measure Q funding could not be funded. Many of these costs are one-time costs and staff is proposing that these requests be funded using American Rescue Plan Act of 2021 (ARPA) funding. There is a separate narrative in Section G of the budget that explains the proposed expenditures using ARPA funds. The City has yet to receive any payments from Measure E increase of 1 cent. In the absence of data specifically related to implementation of this critical funding source staff used historical data from Measure Q receipts and HDL's projections to estimate that the City should receive \$282,500 in FY 2020/21.

The FY 2021/22 Measure Q and E budget is based on conservative projections of transaction tax for FY 2019/20 and FY 2020/21, analyzing recession period receipts from 2008 through 2011 and FY 2012/13, combined with the City's sales tax consultant, HDL's projections. In total, the proposed budget recommends revenues of \$3,302,325. Expenditures will exceed this amount because there is funding from previous years available to be spent in the coming year and project carry-forward from project balances that will not be spent in the current fiscal year (FY 2020/21).



Given the passage of Measure E the City Council adopted principles and priorities for expenditures in FY 2021/22. The adopted principles are as follows:

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include costs associated with Morro Bay Fire Department, Morro Bay Police Department and Morro Bay Harbor Department personnel and equipment, in addition to the Fire Headquarter debt service and the Fire engine loan repayment;
2. Maintain or enhances cleanliness and safety of public space such as parks, waterfront and the beach by funding personnel, supplies, expenses, and equipment to support City operations in departments including Public Works Consolidated Maintenance and Harbor Department;
3. Invest in infrastructure and equipment such as street paving, storm drains, and vehicle replacements that support City services. This priority may include increasing capacity to implement the backlog of unfunded capital projects.
4. Ensure financial health of the City by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.

In April 2021 staff presented a draft Measure Q and E expenditure plan to the Citizen’s Finance Advisory Committee (CFAC) which aligned the proposed expenditures with these principles. The CFAC made modifications to fund more public safety personnel (Police and Fire sworn staff) and reduce the amount dedicated to storm drain repairs and maintenance. The proposed expenditure plan models the request from CFAC with one minor exception (explained below) and includes the following major categories of expenditures:

- Staffing: To maintain and/or restore positions in the Police Department (3 positions), Fire Department (3 positions and overtime), Public Works – Consolidated Maintenance (2 positions) and the Harbor Department (Lifeguard Program).
- Equipment replacement in the Police Department (Records Management System and Report Dictation System), Public Works – Consolidated Maintenance (truck replacement) and Harbor Department (replace firefighting equipment).
- Services: To maintain and/or enhance public spaces through sidewalk replacement and trash disposal on the waterfront.
- Capital Improvement project implementation support: A pool of Measure Q & E funding is identified so that staff capacity can be enhanced to ensure CIP projects are implemented in a timely fashion.
- Capital Improvement Investments: Street paving, Storm drain maintenance and repair as well as intersection improvements at State Route 1/Main Street/State Route 41 are included in this plan.
- Debt Service on Fire Station United States Agriculture Department loan and repayment to the General Fund Emergency Reserve for purchase of a fire engine.
- Restore the General Fund Reserve



The funding plan contained in this proposed budget mirrors CFAC's desires with one exception. Instead of funding one Fire Engineer/Paramedic and two Fire Captains, the proposal outlined below includes two Fire Engineer/Paramedic and one Fire Captains. This was done to maximize Measure Q and E funds available for storm drain repairs and maintenance and create parity between Morro Bay Police and Fire Departments (2 line sworn personnel and 1 supervisor for each department).



DRAFT

MEASURE Q & E

Fund 003

SUMMARY OF REVENUES AND EXPENDITURES

	2017/18	2018/19	2019/20	2020/21	2020/21	2021/22
	Actuals	Actuals	Actuals	Amended	Estimated	Proposed
SOURCES OF FUNDS						
Beginning Fund Balance	\$ 73,557	\$ 184,052	\$ 342,964	\$ 645,260	\$ 645,260	\$ 1,018,621
REVENUES						
<i>Sales & Use Tax - Measure Q</i>	1,062,872	1,225,936	987,019	987,000	942,000	1,100,775
<i>Sales & Use Tax - Measure E</i>				282,250	282,250	2,201,550
<i>Intergovernmental</i>	-					
<i>Interest</i>	-	616	6,628			
<i>Transfers In</i>	-					
TOTAL REVENUES	\$ 1,062,872	\$ 1,226,552	\$ 993,647	\$ 1,269,250	\$ 1,224,250	\$ 3,302,325
EXPENDITURES						
<i>Salaries and Benefits</i>	\$ 260,362	\$ 317,020	\$ 288,217	\$ 279,123	\$ 279,123	\$ 1,464,929
<i>Supplies</i>	34,661	34,058	188,800	77,000	77,000	-
<i>Services</i>	41,987	-	3,023	-	3,023	379,450
<i>Capital Outlay</i>	-	43,139	43,655	-		
<i>Other</i>	14,600	30,137	20,600	20,600	20,600	-
<i>Debt Service</i>	83,194	82,938	90,806	90,806	82,643	90,807
<i>Equipment</i>	-	60,000	56,250	86,250	86,250	56,250
TOTAL EXPENDITURES	\$ 434,804	\$ 567,292	\$ 691,351	\$ 553,779	\$ 548,639	\$ 1,991,436
Transfers Out:						
General Fund for \$73,876 Undesignated Over-time Fire and \$38,000 to replace Cons Maint. Truck.						111,876
To Harbor Fund to Support firefighting system replacement in New Harbor Patrol Vessel						50,000
General Fund Emergency Reserve				\$ 282,250	\$ 282,250	125,000
GF CIP: Pavement Management Plan	\$ 502,016	\$ 500,348	\$ -	\$ 683,749	\$ 20,000	850,000
GF CIP: Storm Drains	\$ -	\$ -	\$ -	\$ -	\$ -	314,000
GF CIP: Highway 1/41 Interchange						600,000
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 936,820	\$ 1,067,640	\$ 691,351	\$ 1,519,778	\$ 850,889	\$ 4,042,312
Ending Fund Balance	\$ 184,052	\$ 342,964	\$ 645,260	\$ 394,732	\$ 1,018,621	\$ 278,634
Assigned Fund Balance						
-Fire Station Debt Service Reserve		\$ 48,586	56,749	64,912	\$ 64,912	\$ 73,075
Unassigned Fund Balance		\$ 294,378	\$ 588,511	\$ 329,820	\$ 953,709	\$ 205,559

The following chart summarizes proposed expenditures by department.

MEASURE Q & E EXPENSES BY DEPARTMENT		
Department:	4110 - Police Department	
	<i>Personnel Services</i>	
	Regular Pay	\$ 257,755.00
	Employer Paid Benefits	\$ 74,649.06
	Pension Normal Cost	\$ 61,113.71
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	Contract Services	\$ 109,450.00
	<i>Account Classification Total: Services Police</i>	\$ 109,450.00
	Department Total: 4110 - Police Department	\$ 570,202.13

Department:	4210 - Fire Department	
	Regular Pay	\$ 272,415.00
	Overtime Pay	\$ 44,267.44
	Part-Time Pay	\$ 131,577.12
	Employer Paid Benefits	\$ 75,635.45
	Pension Normal Cost	\$ 50,659.94
	PERS Unfunded Accrued Liability	\$ 79,042.61
	Overtime Transfer to General Fund	\$ 73,875.56
	<i>Account Classification Total: Personnel Fire Department</i>	\$ 727,473.12
	Debt Service Interest Expense	\$ 44,903.22
	Debt Service Principal Repayment	\$ 45,903.78
	<i>Account Classification Total: Debt Service Fire Station</i>	\$ 90,807.00
	Department Total: 4210 - Fire Department	\$ 818,280.12

Department:	5205 - Public Works - Engineering	
	Contracted Services	\$ 175,000.00
	Sub-total Public Works Engineering	\$ 175,000.00
Department:	5251 - Public Works Consolidated Maintenance	
	Regular Pay	\$ 112,504.00
	Part-Time Pay	\$ 61,776.00
	Employer Paid Benefits	\$ 56,508.68
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	Contracted Services	\$ 25,000.00
	Sub-total Public Works - Consolidated Maintenance	\$ 294,578.90
	Department Total: PW Engineering & Consolidated Maintenance	\$ 469,578.90

Department:	6510 - Harbor Operating	
	Part-Time Pay Lifeguard	\$ 67,730.70
	Employer Paid Benefits Lifeguards	\$ 13,269.30
	<i>Account Classification Total: Personnel Harbor</i>	\$ 81,000.00
	Solid Waste Disposal	\$ 70,000.00
	Equipment Acq - Firefighting for HP boat	\$ 50,000.00
	Department Total: Harbor Operating & Harbor Lifeguards	\$ 201,000.00

Totals by Department excluding all Transfers except for Fire OT	\$ 2,059,061.16
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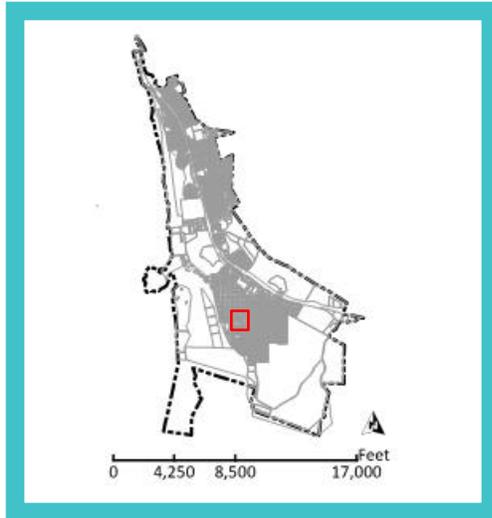
MEASURE Q & E
Purpose and Description

Purpose	2021-2022 Measure Q & E Request Description
Police Department Staffing	Funding to support 2 Police Officers and 1 Sergeant. These costs include regular pay and all benefits. Maintain current sworn officer strength in MBPD. These police officers and Sergeant support the Police Department’s commitment to public safety. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.
Fire Department Staffing	Funding to support 2 Engineer/Paramedic and one Captain Paramedic. These costs include regular pay, benefits, and Federally mandated overtime. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.
Consolidated Maintenance Staffing	Funding to support one existing and one restored Consolidated Maintenance Workers. position will enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations.
Harbor Department staffing - Lifeguard Program	Funding to support the ocean lifeguard program. This support allows the Harbor Department to maintain 2019 service levels, keep beaches safe and clean, and maintain 911 emergency response.
Public Works Engineering CIP Implementation Resources	Pool of funding to restore capacity in Public Works Engineering to achieve implementation of Capital Improvement Projects. Approach to pursue (such as staffing consultant support or another approach) will be a top priority for the new Public Works Director to assess and propose a pathway forward.
Records Management System	Morro Bay Police Department must update the existing Records Management Systems (RMS) to be compatible with San Luis Obispo County Sheriff's Office dispatch. Updating and upgrading is mandatory to maintain inter-agency operations. This one-time expense will require \$19,470 in on-going maintenance once implemented.
Police Report Dictation System	This system would allow officers to dictate their reports instead of typing. This is an efficiency tool and may reduce overtime when a report has to be written at the end of a shift.
Fire Station #53 debt service + 10% reserve	The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, Council has expressed an intent to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold.

**MEASURE Q & E
Purpose and Description**

Purpose	2021-2022 Measure Q & E Request Description
Replacement for Engine 5391 with Type 1 Fire Combination Pumper	Fund a 5-year payment schedule for a Fire Apparatus that meets Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 has been in service in Morro Bay since 1994 and was on the Fire Department’s replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A \$275,000 down payment is being funded by the Bertha Shultz Trust with a total price of \$675,000.
Consolidated Maintenance Truck Replacement	Truck has racked up more than 150,000 miles, body and components are severely rusted and daily use is required. Existing trust will be removed from the fleet inventory in accordance with fleet disposal procedures. Having a reliable truck will assist the team maintain public spaces, parks, Embarcadero, restrooms, and the waterfront.
Harbor Patrol Firefighting System Replacement	Replace ineffective and old firefighting system in new (surplus) harbor patrol vessel being acquired from Port San Luis. This will allow the Harbor Department to maintain the department’s firefighting capability on the waterfront which directly supports keeping beaches, harbor and waterfront safe and clean.
Contribution to the General Fund Emergency Reserve	Due to the impacts of COVID-19 Pandemic the General Fund Emergency Reserve (GFER) was used to support General Fund operations due to the precipitous drop in General Fund Revenues. In FY 2020/21 a total of \$1,438,192 of the GFER balance This contribution will assist to restore a portion of the GFER.
Storm Drain Maintenance and Repairs	This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The flow in this area flows to the northeast and causes flooding in the 10-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 27-inch pipeline is added to convey the flow west.
Pavement Management Program	This project will restore and maintain the City’s streets. This funding is supplemented by SB 1 Road Maintenance and Rehabilitation Account (RMRA) Revenues. SB 1 gas tax of \$300,000 carry-forward from previous years will supplement the Measure Q & E funds such that a total of \$1,150,000 will be dedicated to street paving in FY 2022-22.
State Route (SR) 1/Main Street at SR 46 Intersection Improvements	Replace the existing 4-way stop signs by either constructing a modern roundabout design to eliminate the closely spaced adjoining intersections or install new coordinated traffic signals using the existing intersection configuration. The SR1/Main St.@ SR41 Interchange Improvements will reduce congestion and decrease Greenhouse Gas emissions. The project contributes to two of Council's Adopted Goals by advancing Economic Sustainability and Improving Infrastructure. These funds will be the City’s match to SLO Council of Governments funding for continuation of the next phase of design.





Project Name	Storm Drain System Install – SD-01A	Project Number	SD-01A/ 915-9933
Department	Public Works	Project Manager	

Description This project will install 125 feet of 27-inch storm drain pipeline.

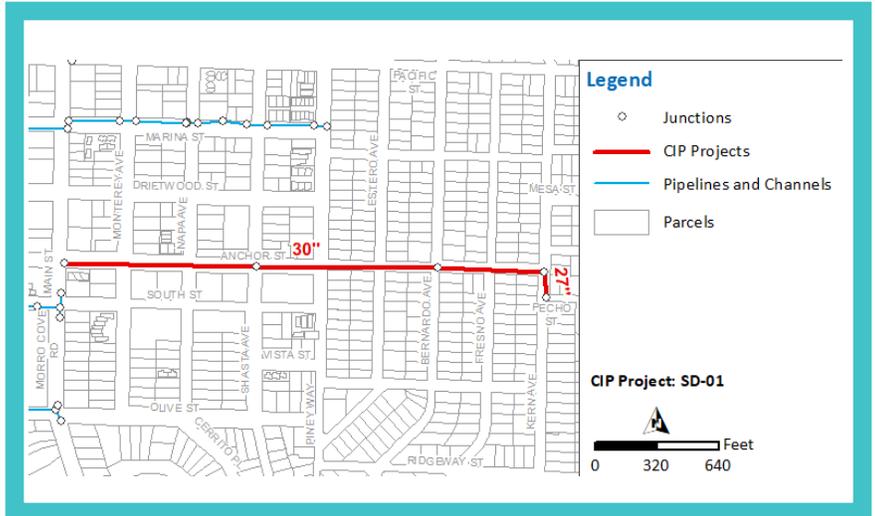
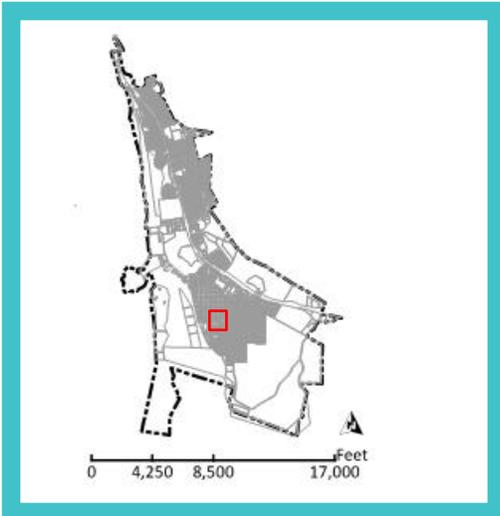
Location Kern Street, between Pecho Street and Anchor Street.

Project Background This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The flow in this area flows to the northeast and causes flooding in the 10-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 27-inch pipeline is added to convey the flow west.

Operating Budget Impacts This project will use staff time for the design oversight, construction inspection and management. The staff time for this project will be included in the department’s FY 2021/22 Operating Budget.

Project Components & Estimated Timeline	Fall 2021	Design	Project development
	Spring 2022	Bid process	Project bidding and contract award
	Summer 2022	Construction	Project construction
	Fall 2022	Completion	Project completion

Pipeline along Kern and Anchor Street SD-01A											Project 915-9933
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimate d CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
Storm Water Impact Fees	-	9,900	-	9,900		9,900		-	-	-	9,900
General Fund	-	-	-	-	62,700	62,700	-	-	-	-	62,700
TOTAL SOURCE OF FUNDS	-	9,900	-	9,900	62,700	72,600	-	-	-	-	9,900
USE OF FUNDS											
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	9,900	-	9,900		9,900	-	-	-	-	9,900
6106 Contractural Services	-	-	-	-	62,700	62,700	-	-	-	-	125,400
TOTAL GENERAL FUND	-	9,900	-	9,900	62,700	72,600	-	-	-	-	135,300
TOTAL USE OF FUNDS	-	9,900	-	9,900	62,700	72,600	-	-	-	-	135,300



Project Name	Storm Drain System Install – SD-01B	Project Number	SD-01B/ 915-9934
Department	Public Works	Project Manager	

Description This project will install 2,600 feet of 30-inch storm drain pipeline.

Location Along Anchor Street, between Kern Avenue and Main Street

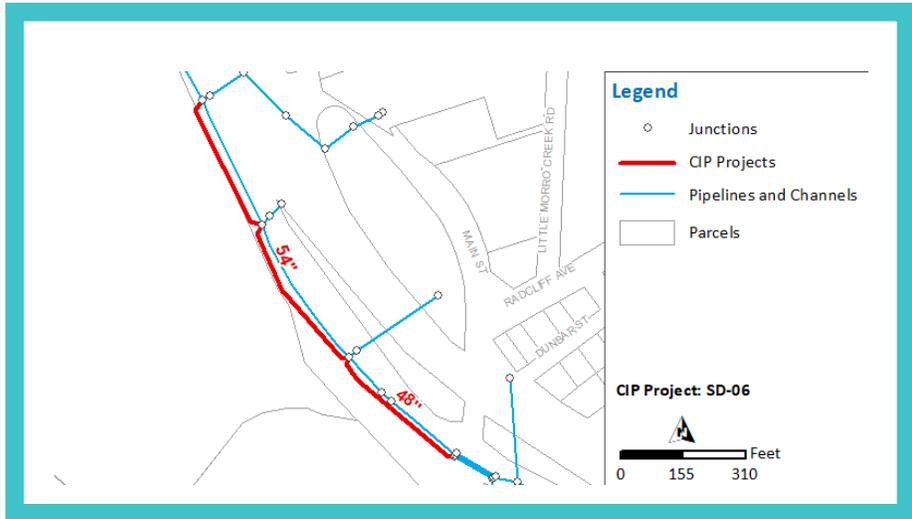
Project Background This project includes the addition of approximately 2,600 feet of 30-inch diameter pipeline along Anchor Street, between Kern Avenue and Main Street. Construction is proposed to be phased over three years due to the availability of funding. Stormwater in this area flows to the northeast and causes flooding in the 10-year and 100-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 30-inch pipeline is added to convey the flow west.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s FY 2021/22 Operating Budget.

Project Components & Estimated Timeline	Fall 2021	Design	Project development
	Spring 2022	Bid process	Project bidding and contract award
	Summer 2022	Construction Phase 1	Project construction
	Summer 2023	Construction Phase 2	
	Summer 2024	Construction Phase 3	
Summer 2024	Completion	Project Completion	

Pipeline along Kern and Anchor Street SD-01B											Project 915-9934
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	22,950	-	22,950	75,350	98,300	622,728	622,728	-	-	1,419,106
General Fund (Measure E)	-	-	-	-	314,000	314,000	-	-	-	-	314,000
TOTAL SOURCE OF FUNDS	-	22,950	-	22,950	389,350	412,300	622,728	622,728	-	-	1,733,106
USE OF FUNDS											
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	22,950	-	22,950	-	22,950	-	-	-	-	22,950
6106 Contractual Services	-	-	-	-	389,350	389,350	622,728	622,728	-	-	2,024,155
TOTAL GENERAL FUND	-	22,950	-	22,950	389,350	412,300	622,728	622,728	-	-	2,047,105
TOTAL USE OF FUNDS	-	22,950	-	22,950	389,350	412,300	622,728	622,728	-	-	2,047,105

Portions in Red are Unfunded in future years.



Project Name	Storm Drain System Repair – SD-06A Unfunded	Project Number	SD-06A
Department	Public Works	Project Manager	

Description This project will replace 380 feet of open channel with 48-inch pipeline.

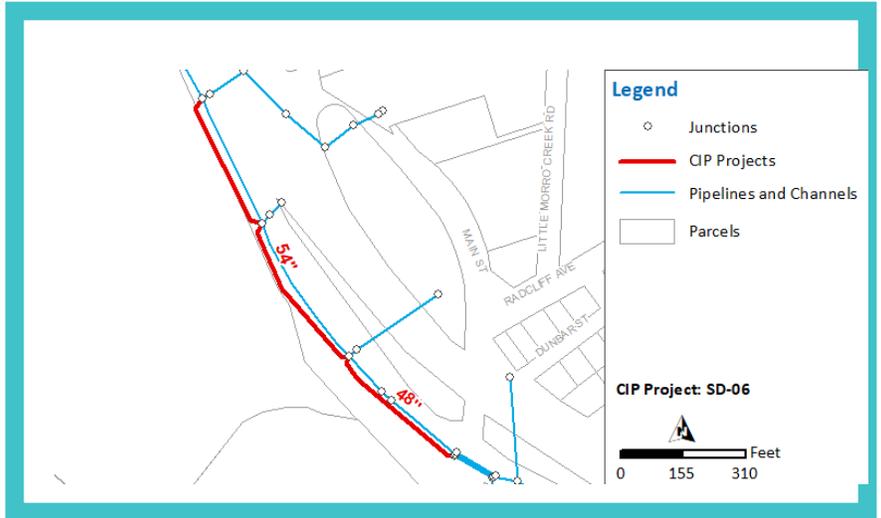
Location West of Main street, along Highway 1

Project Background This project includes the replacement approximately 380 feet of open channel along Highway 1, west of Main Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing open channel be replaced with a triple barrel 48-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight, construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline west of Main St along Hwy 1 SD-06A											Project 915-XXXX
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-	-	-	-	-	170,100	963,900	-	-	1,134,000
	-	-	-	-	-	-	-	-	-	-	-
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	170,100	963,900	-	-	1,134,000
USE OF FUNDS				0							
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-	170,100	-	-	-	170,100
6106 Contractual Services	-	-	-	-	-	-	-	963,900	-	-	963,900
TOTAL GENERAL FUND	-	-	-	-	-	-	170,100	963,900	-	-	1,134,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	170,100	963,900	-	-	1,134,000
Unfunded Project											



Project Name	Storm Drain System Repair – SD-06B Unfunded	Project Number	SD-06B
Department	Public Works	Project Manager	

Description This project will replace 780 feet of open channel with 54-inch pipeline.

Location West of Main street, along Highway 1

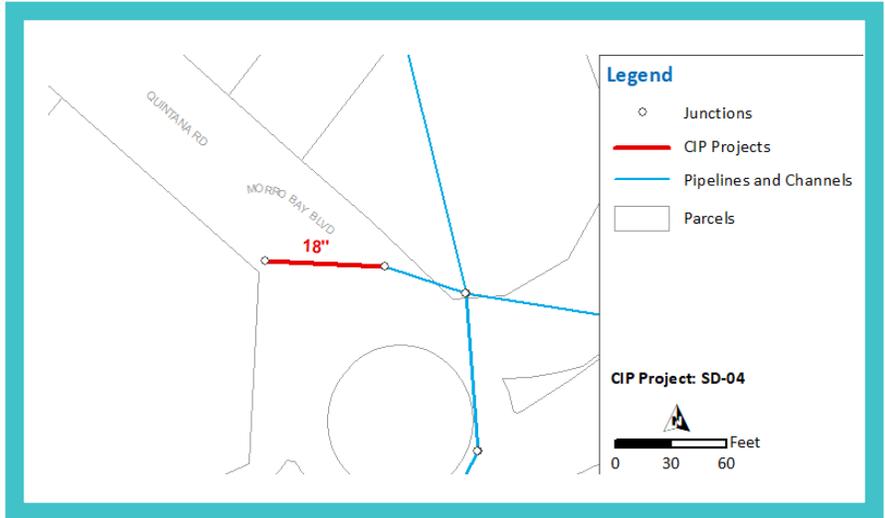
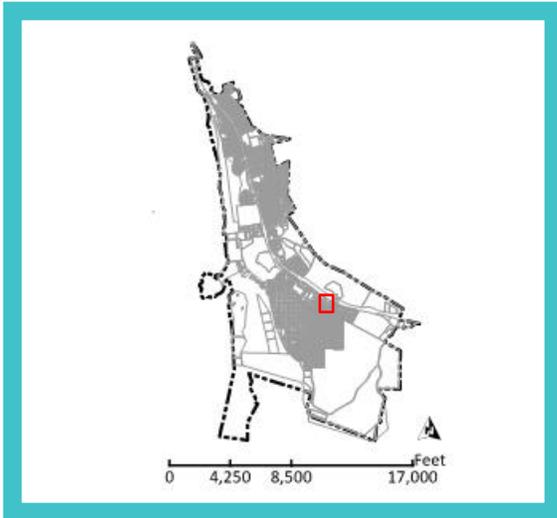
Project Background This project includes the replacement approximately 780 feet of open channel along Highway 1, west of Main Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing open channel be replaced with a triple barrel 54-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight, construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline west of Main St along Hwy 1 SD-06B											Project 915-XXXX
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-	-	-	-	-	372,450	2,110,550	-	-	2,483,000
	-	-	-	-	-	-	-	-	-	-	-
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	372,450	2,110,550	-	-	2,483,000
USE OF FUNDS				0							
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-	372,450	-	-	-	372,450
6106 Contractual Services	-	-	-	-	-	-	-	2,110,550	-	-	2,110,550
TOTAL GENERAL FUND	-	-	-	-	-	-	372,450	2,110,550	-	-	2,483,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	372,450	2,110,550	-	-	2,483,000

Unfunded Project



Project Name	Storm Drain System Repair – SD-04 Unfunded	Project Number	SD-04
Department	Public Works	Project Manager	

Description This project will replace 130 feet of 12-inch pipeline with 18-inch pipeline.

Location Morro Bay Blvd and Quintana Road

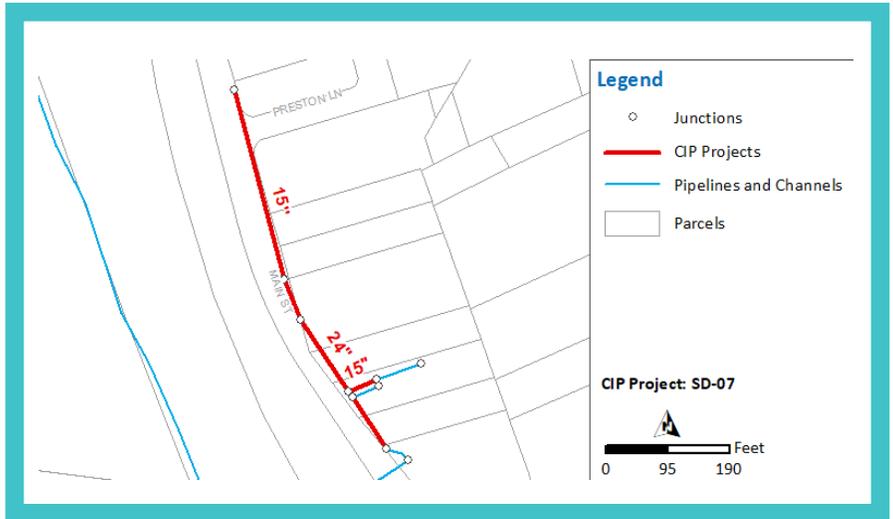
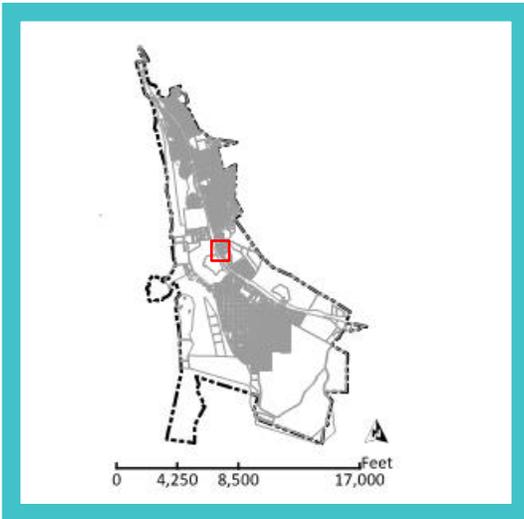
Project Background This project includes the replacement of approximately 130 feet of 12-inch diameter pipelines along the north side of the roundabout at Morro Bay Boulevard and Quintana Road. The flow levels within the pipeline cause flooding under 10-year storm conditions. To mitigate the flooding, it is recommended that the existing pipeline be replaced with 18-inch diameter pipelines.

Operating Budget Impacts This project will use staff time for the design oversight, construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline at Morro Bay Blvd and Quintana Rd SD-04											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	6,750	38,250	-	-	45,000	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	6,750	38,250	-	-	45,000	
USE OF FUNDS				0								
GENERAL FUND												
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	6,750	-	-	-	6,750	
6106 Contractural Services	-	-	-	-	-	-	-	38,250	-	-	38,250	
TOTAL GENERAL FUND	-	-	-	-	-	-	6,750	38,250	-	-	45,000	
TOTAL USE OF FUNDS	-	-	-	-	-	-	6,750	38,250	-	-	45,000	

Unfunded Project



Project Name	Storm Drain System Repair – SD-07A	Project Number	SD-07A
	Unfunded		
Department	Public Works	Project Manager	

Description This project will replace 360 feet of 12-inch pipeline with 15-inch pipeline.

Location Along Main Street, between Preston Lane and Azure Street

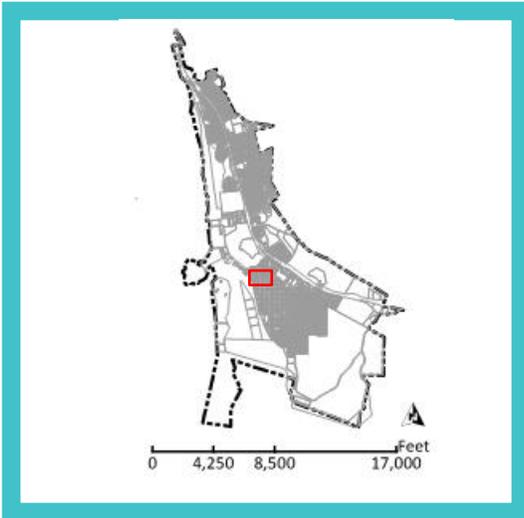
Project Background This project includes the replacement of approximately 360 feet of 12-inch diameter pipeline along Main Street, between Preston Lane and Azure Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 15-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Main Street SD-07A											Project 915-XXXX
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-	-	-	-	-	-	-	16,950	96,050	113,000
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	16,950	96,050	113,000
USE OF FUNDS				0							
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-	-	-	16,950	-	16,950
6106 Contractual Services	-	-	-	-	-	-	-	-	-	96,050	96,050
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	16,950	96,050	113,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	16,950	96,050	113,000

Unfunded Project



Project Name	Storm Drain System Install – SD-05	Project Number	SD-05
	Unfunded		
Department	Public Works	Project Manager	

Description This project will install 1,000 feet of 24-inch pipeline.

Location Along Beach Street, between Morro Avenue and Embarcadero Road.

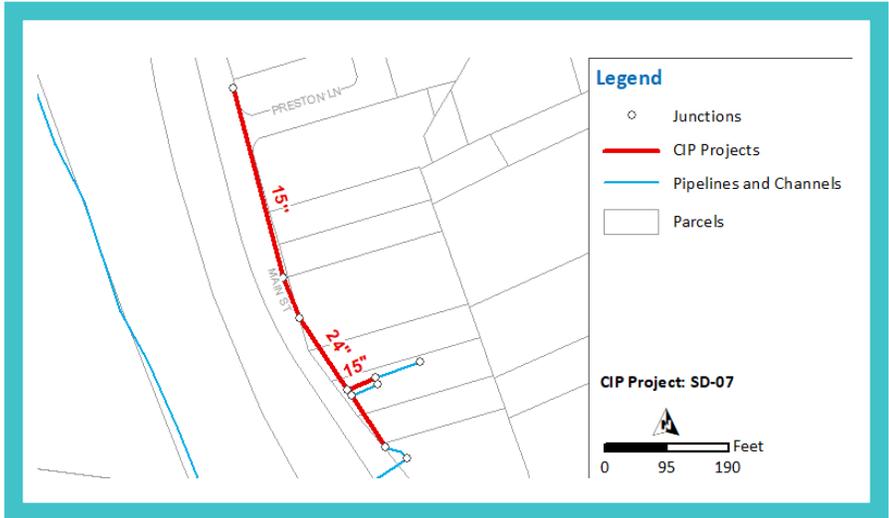
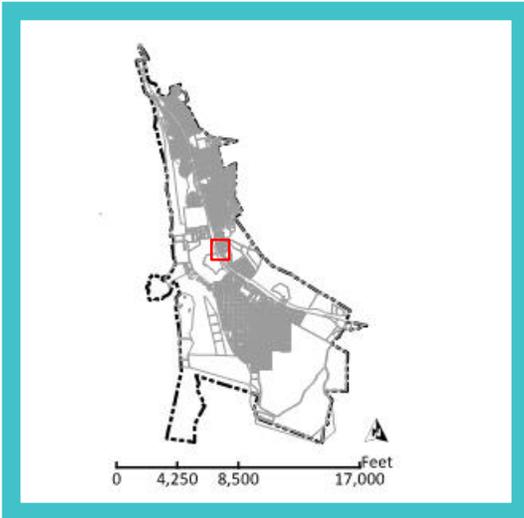
Project Background This project includes the addition of approximately 1,000 feet of 24-inch diameter pipeline along Beach Street, between Morro Avenue and Embarcadero Road. In this area, the storm water flows through storm drains to the intersection at Morro Avenue and Beach Street, and then resurfaces and flows along the street. To reduce overland flow, it is recommended a 24-inch diameter pipeline be added.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline at Beach Street Btwn Morro Ave & Embarcadero Road SD-05											Project 915-XXXX
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-	-	-	-	-	-	-	70,800	401,200	472,000
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	70,800	401,200	472,000
USE OF FUNDS				0							
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-	-	-	70,800	-	70,800
6106 Contractual Services	-	-	-	-	-	-	-	-	-	401,200	401,200
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	70,800	401,200	472,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	70,800	401,200	472,000

Unfunded Project



Project Name	Storm Drain System Repair – SD-07B	Project Number	SD-07B
	Unfunded		
Department	Public Works	Project Manager	

Description This project will replace 230 feet of 12-inch pipeline with 24-inch pipeline.

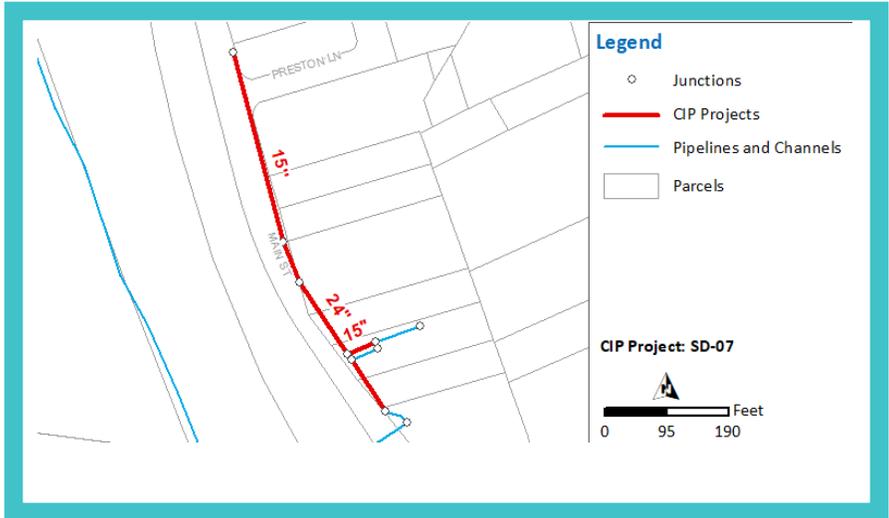
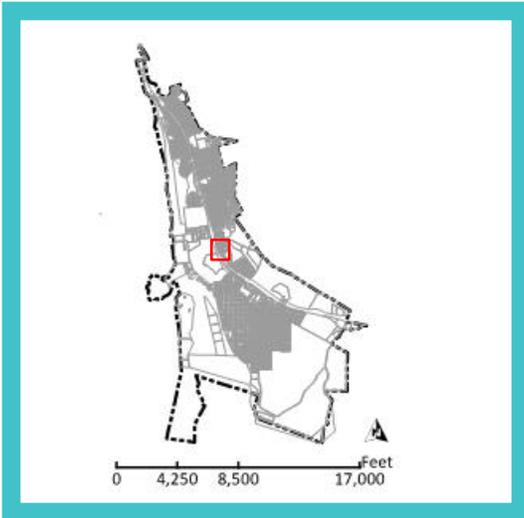
Location Along Main Street, between Preston Lane and Azure Street

Project Background This project includes the replacement of approximately 230 feet of 12-inch diameter pipeline along Main Street, between Preston Lane and Azure Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 24-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Main Street SD-07B											Project 915-XXXX
	Prior Yrs Actuals	2019/20 Amended Budget	2019/20 Estimated Actual	Estimated CF to 2020/21	2020/21 Budget	2020/21 Budget & Carryfwd *	2021/22 Proposed	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-			-	-			16,350	92,650	109,000
	-	-	-		-	-	-	-	-	-	-
TOTAL SOURCE OF FUNDS	-	-	-		-	-	-	-	16,350	92,650	109,000
USE OF FUNDS											
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-			16,350	-	16,350
6106 Contractual Services	-	-	-	-	-	-				92,650	92,650
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	16,350	92,650	109,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	16,350	92,650	109,000
Unfunded Project											



Project Name	Storm Drain System Repair – SD-07C	Project Number	SD-07C
	Unfunded		
Department	Public Works	Project Manager	

Description This project will replace 50 feet of 12-inch pipeline with 15-inch pipeline.

Location Along Main Street, between Preston Lane and Azure Street

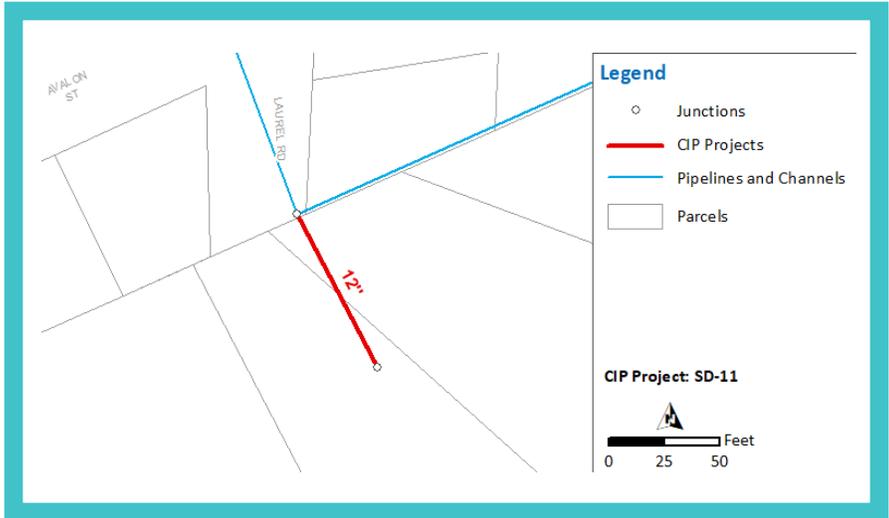
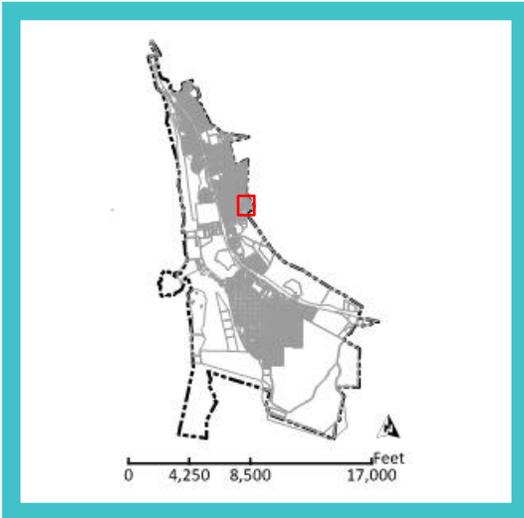
Project Background This project includes the replacement of approximately 50 feet of 12-inch diameter pipeline along Main Street, between Preston Lane and Azure Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 15-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. . The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Main Street SD-07C											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	2,550	14,450	17,000	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	2,550	14,450	17,000	
USE OF FUNDS				0								
GENERAL FUND												
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	2,550	-	2,550	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	14,450	14,450	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	2,550	14,450	17,000	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	2,550	14,450	17,000	

Unfunded Project



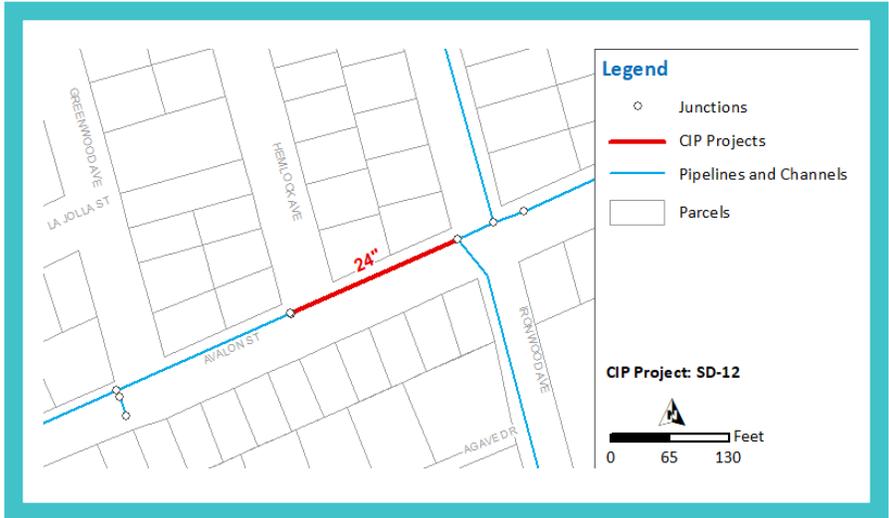
Project Name	Storm Drain System Repair – SD-11 Unfunded	Project Number	SD-11
Department	Public Works	Project Manager	

Description	This project will replace 80 feet of 6-inch pipeline with 12-inch pipeline.
Location	Along Laurel Street, south of Avalon Street
Project Background	This project includes the replacement of approximately 80 feet of 6-inch diameter pipeline along Laurel Street, south of Avalon Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 12-inch diameter pipeline.
Operating Budget Impacts	This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Laurel Street SD-11											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	3,450	19,550	23,000	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	3,450	19,550	23,000	
USE OF FUNDS												
GENERAL FUND				0								
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	3,450	-	3,450	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	19,550	19,550	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	3,450	19,550	23,000	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	3,450	19,550	23,000	

Unfunded Project



Project Name	Storm Drain System Repair – SD-12	Project Number	SD-12
	Unfunded		
Department	Public Works	Project Manager	

Description This project will replace 200 feet of 16-inch pipeline with 24-inch pipeline.

Location Along Avalon Street, between Ironwood Avenue and Hemlock Avenue.

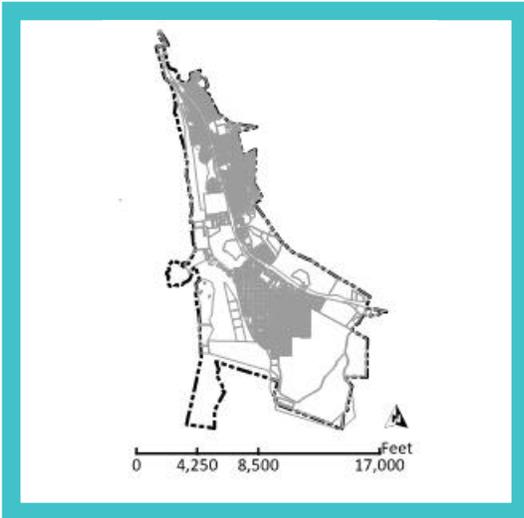
Project Background This project includes the replacement of approximately 200 feet of 16-inch diameter pipeline along Avalon Street, between Ironwood Avenue and Hemlock Avenue. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 24-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Avalon Street SD-12											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	14,100	79,900	94,000	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	14,100	79,900	94,000	
USE OF FUNDS												
GENERAL FUND												
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	14,100	-	14,100	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	79,900	79,900	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	14,100	79,900	94,000	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	14,100	79,900	94,000	

Unfunded Project



Project Name	Storm Drain System Repair – SD-16 Unfunded	Project Number	SD-16
Department	Public Works	Project Manager	

Description This project will replace 450 feet of 24-inch pipeline with 36-inch pipeline.

Location Along Elena Street, between Cedar Avenue and Main Street.

Project Background This project includes the replacement of approximately 450 feet of 24-inch diameter pipeline along Elena Street, between Cedar Avenue and Main Street. The flow caused flooding to occur under 10-year storm conditions. To mitigate the risk of flooding, it is recommended that the existing pipeline be replaced with a 36-inch diameter pipeline.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Elena Street SD-16											Project 915-XXXX
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GENERAL FUND	-	-	-	-	-	-	-	-	49,200	278,800	328,000
	-	-	-	-	-	-	-	-	-	-	-
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	49,200	278,800	328,000
USE OF FUNDS				0							
GENERAL FUND											
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-
6105 Consultation Services	-	-	-	-	-	-	-	-	49,200	-	49,200
6106 Contractual Services	-	-	-	-	-	-	-	-	-	278,800	278,800
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	49,200	278,800	328,000
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	49,200	278,800	328,000

Unfunded Project



Project Name	Storm Drain System Repair – SD-02A	Project Number	SD-02A
	Unfunded		
Department	Public Works	Project Manager	

Description This project will install 365 feet of 12-inch pipeline.

Location Along Marina Street, between Piney Way and Shasta Avenue.

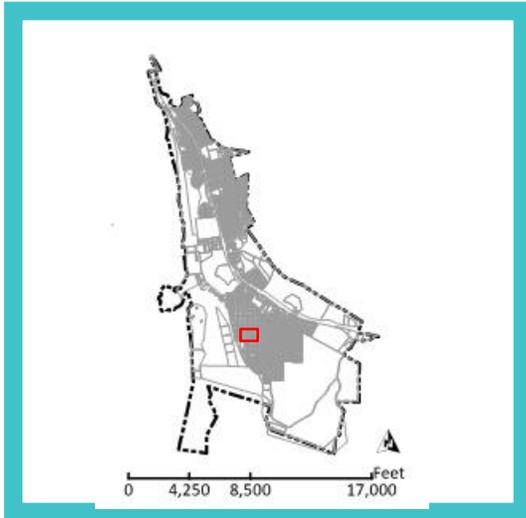
Project Background This project includes the addition of approximately 365 feet of 12-inch diameter pipeline along Marina Street, between Piney Way and Shasta Avenue. The flow in this area flows to the northeast and causes flooding in the 10-year and 100-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 12-inch pipeline is added to convey the flow west.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Marina Street SD-02A											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	-	15,900	15,900	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	-	15,900	15,900	
USE OF FUNDS				0								
GENERAL FUND												
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	-	15,900	15,900	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	-	-	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	-	15,900	15,900	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	-	15,900	15,900	

Unfunded Project



Project Name	Storm Drain System Repair – SD-02B	Project Number	SD-02B
	Unfunded		
Department	Public Works	Project Manager	

Description This project will install 600 feet of 15-inch pipeline.

Location Along Marina Street, between Shasta Avenue and Monterey Avenue.

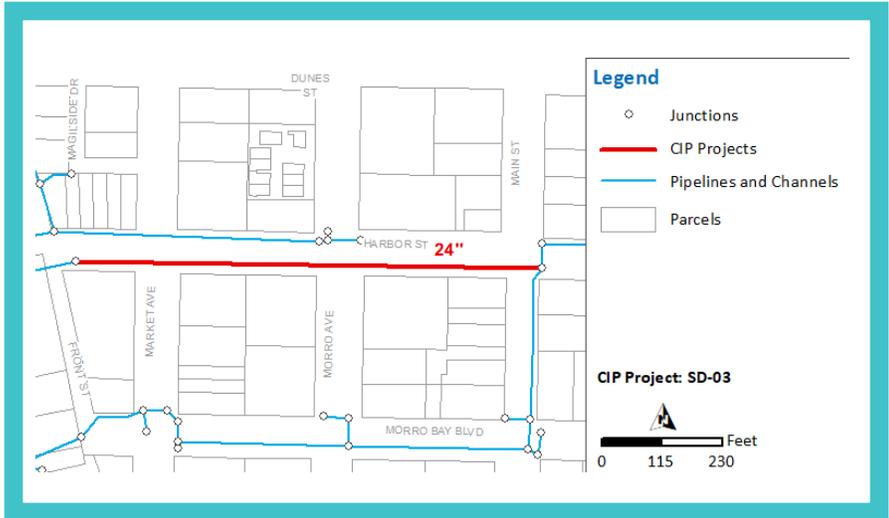
Project Background This project includes the addition of approximately 600 feet of 15-inch diameter pipeline along Marina Street, between Shasta Avenue and Monterey Avenue. The flow in this area flows to the northeast and causes flooding in the 10-year and 100-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 15-inch pipeline is added to convey the flow west.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Marina Street SD-02B											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	-	28,350	28,350	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	-	28,350	28,350	
USE OF FUNDS				0								
GENERAL FUND												
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	-	-	-	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	28,350	28,350	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	-	28,350	28,350	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	-	28,350	28,350	

Unfunded Project



Project Name	Storm Drain System Repair – SD-03	Project Number	SD-03
	Unfunded		
Department	Public Works	Project Manager	

Description This project will install 890 feet of 24-inch pipeline.

Location Along Harbor Street, between Main Street and Front Street.

Project Background This project includes abandoning the existing 24-inch diameter pipeline along Main Street, and the addition of approximately 890 feet of 24-inch diameter pipeline along Harbor Street, between Main Street and Front Street. The flow, when directed from Harbor Street to Main Street, causes flooding in the 10-year storm conditions. To mitigate flooding it is recommended this 24-inch diameter line is added to convey water along Harbor Street.

Operating Budget Impacts This project will use staff time for the design oversight construction inspection and management. The staff time for this project will be included in the department’s operating budget for the year it is funded.

Project Components & Estimated Timeline	TBD	Design	Project development
	TBD	Bid process	Project bidding and contract award
	TBD	Construction	Project construction
	TBD	Completion	Project completion

Pipeline along Harbor Street SD-03											Project 915-XXXX	
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project	
SOURCE OF FUNDS												
GENERAL FUND	-	-	-	-	-	-	-	-	-	63,150	63,150	
TOTAL SOURCE OF FUNDS	-	-	-	-	-	-	-	-	-	63,150	63,150	
USE OF FUNDS												
GENERAL FUND				0								
6104 Engineering Services	-	-	-	-	-	-	-	-	-	-	-	
6105 Consultation Services	-	-	-	-	-	-	-	-	-	63,150	63,150	
6106 Contractual Services	-	-	-	-	-	-	-	-	-	-	-	
TOTAL GENERAL FUND	-	-	-	-	-	-	-	-	-	63,150	63,150	
TOTAL USE OF FUNDS	-	-	-	-	-	-	-	-	-	63,150	63,150	

Unfunded Project



Project Name	Pavement Management Program	Project Number	915-9614
Department	Public Works	Project Manager	Rob Livick, PE/PLS

Description This project provides pavement preservation and renovation to achieve and maintain an average Pavement Condition Index of 70 or higher.

Location This project is located on City Streets throughout the City limits.

Project Background The City streets are an important investment to offer access and mobility to both residents and visitors. In order to maintain this investment, a formal long-term plan is needed to document road conditions, forecast needed improvements and manage pavement conditions to prevent the system from deteriorating below acceptable standards. The City of Morro Bay currently has 53 centerline miles of streets and roads, with approximately 21% categorized as Arterial or Collector streets and 79% as local streets. In 2009, the City implemented Micro-Paver software to develop a plan for future street improvements. In conjunction with the implementation of the PMP, the City conducted a comprehensive field survey of pavement conditions for all City streets. In June 2011, the City adopted the 2012 Pavement Management Plan which set a goal to achieve a Pavement Condition Index (PCI) of 70 for the next 5 years. As of FY 2019/20 the PCI Index is estimated at 67. An updated Pavement Management Plan was prepared in FY2019/20 to outline the steps needed to both rehabilitate and preserve the pavement condition in order to effectively utilize the City’s limited street maintenance budget and evaluate the overall street system.

Individual streets are selected based on the Pavement Management Plan (PMP), pavement inspections and current pavement assessment using the StreetSaver software. The general maintenance and rehabilitation categories are chosen for streets: reconstruction, overlays, sealing or no action. The overall goal is to rehabilitate and preserve the pavement condition, using primarily sealing techniques, while effectively utilizing the City’s limited street maintenance budget, including a portion of the City’s local sales tax, the State’s Road Maintenance and Rehabilitation Account (RMRA)-Local Streets and Roads (aka SB1) funding. These pavement preservation techniques are generally preceded with crack sealing, and repair of structural failures using City staff with purchased materials.

Due to anticipated reductions in sales tax revenues due to the COVID-19, the Citizens Finance Committee and staff recommend suspending any contracted street rehabilitation construction activities

for FY2019/20 and FY 2020/21. Street construction activities would commence in FY 2021/22 using accumulated Measure Q and SB1 funds as allocated by Council. This delay in street construction activities is not without drawbacks. By not performing street rehabilitation the average PCI will decline from 66 to approximately 64 or less and the total deferred maintenance cost will increase. Based on the estimates in the revised pavement management plan, the City will need to spend, on average, \$4M per year to achieve a PCI of 70 within five years. By spending what has been typically spent per year, approximately \$0.7M, the PCI declines by six points. To maintain existing PCI of 66 approximately \$2M of pavement work per year needs to be performed.

Operating Budget Impacts

This project uses funds from Measure Q, SB1, Grant funds, and other local funds, as available. This project will use an Engineering consultant firm for the update of the pavement management planning document, construction management and inspections, as well as staff time for project coordination. Non-safety personnel staff time is forbidden to be charged to Measure Q. Staff time is included in the department's FY 2020/21 Operating Budget.

Project Components & Estimated Timeline	FY 2019/20	Construction	No construction is proposed due to COVID-19 revenue constraints.
	Late Q4 FY 2020/21	Design	Design is moving forward and should allow construction to move forward in Q1 or Q2 in FY 2021-22.
	FY 2021/22	Construction	Construction using any funds accumulated from previous fiscal years from Measure Q and SB1 revenues, as allocated by Council

ANNUAL PAVEMENT MANAGEMENT PLAN											Project 915 - 9614
	Prior Yrs Actuals	2020/21 Amended Budget	2020/21 Estimated Actual	Estimated CF to 21/22	2021/22 Budget	2021/22 Budget & Carryfwd *	2022/23 Proposed	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed	Total Project
SOURCE OF FUNDS											
GRANT- CAL RECYCLE	-						50,000	50,000	50,000	50,000	200,000
SB1 GAS TAX	-	300,000			300,000	300,000	185,686	189,400	193,188	197,051	1,065,325
LTF				-		-					-
LTF BIKE				-		-					-
MEASURE Q	-	767,000	20,000		850,000	850,000	500,000	510,000	520,200	530,604	2,930,804
TOTAL SOURCE OF FUNDS	-	1,067,000	20,000	-	1,150,000	1,150,000	735,686	749,400	763,388	777,655	4,196,129
<i>Site Acquisition & Preparation</i>											
5199 Supplies	-										
6104 Engineering Services	-	20,000	20,000								20,000
6105 Consultation Services	-				118,518	118,518	50,000	52,000	54,000	56,000	330,518
6106 Contractual Services	-	747,000			1,031,482	1,031,482	685,686	697,400	709,388	721,655	3,845,611
TOTAL GF & MEASURE Q	-	767,000	20,000	-	1,150,000	1,150,000	735,686	749,400	763,388	777,655	4,196,129
TOTAL GAS TAX FUND	-										
TOTAL USE OF FUNDS	-	767,000	20,000	-	1,150,000	1,150,000	735,686	749,400	763,388	777,655	4,196,129

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AGENDA NO: B-3

MEETING DATE: May 18, 2021

Staff Report

TO: Chairman and Committee Members **DATE:** May 14, 2021
FROM: Katie Lichtig, Interim Finance Director
SUBJECT: Discussion and Input on the Draft Proposed FY 2021/22 Operating Budget

RECOMMENDATION

Receive the draft Proposed FY 2021/22 General Fund Operating Budget and provide feedback and comment.

DISCUSSION

On May 12, 2021, the proposed FY 2021/22 Operating and Capital budget was published. The purpose of CFAC's review is to provide high-level input to the Council when they consider the Proposed budget, beginning with Budget Study Session on May 25, 2021 at 3 p.m.

As mentioned in the City Manager's transmittal the City has been resilient and our economy has rebounded at a record pace. All funds are returning to a healthy status, particularly the General Fund. Additionally, the inclusion of Measure Q & E support has bolstered the City's ability to invest in staffing, infrastructure, and tools to achieve the Council's goals and priorities. The following is the summary from the transmittal:

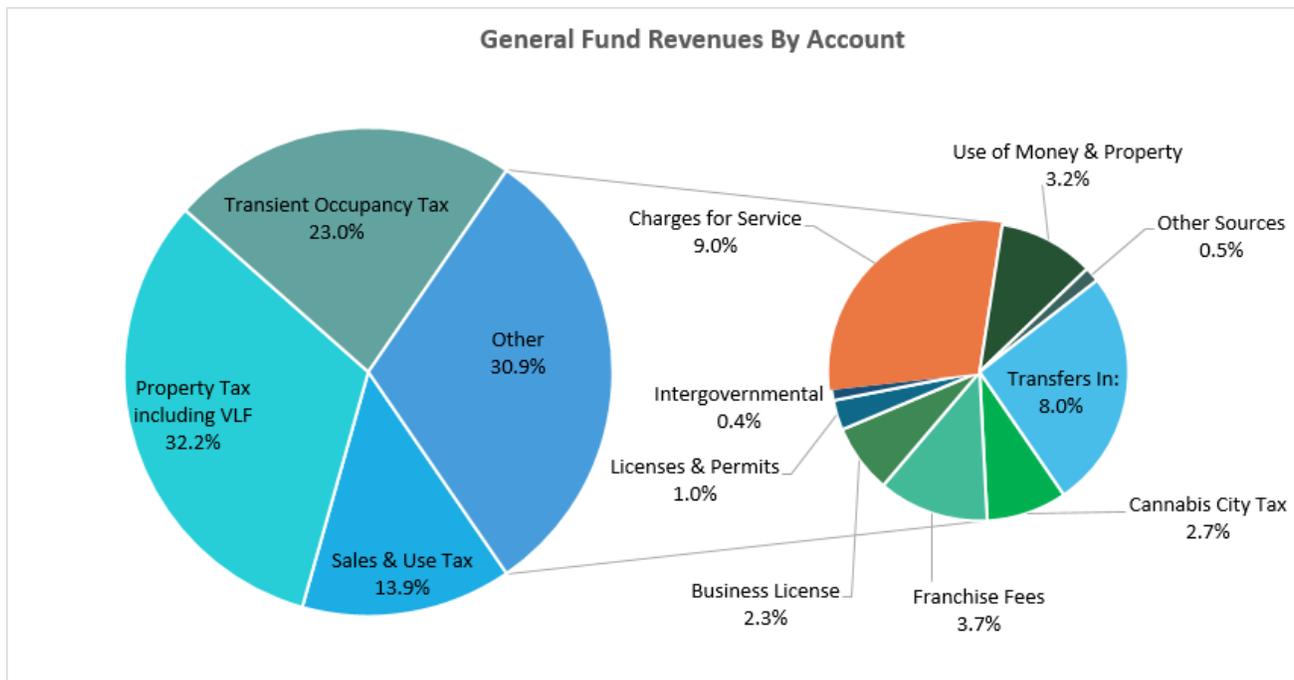
The budget for FY 2021/22 reflects total expenditures for the City budget of \$121.7 million (including Capital Projects and excluding transfers between funds), this is an increase of \$52.3 million or 75% when compared to the FY 2020/21 Amended Budget. This increase is primarily attributed to the planned progression of the City's Water Reclamation Facility (WRF). Without the WRF increase, the Amended Budget for 2021/22 is \$32.8 million which is an increase of \$6.4 million or 24% when compared to the 2020/21 Amended Budget. The WRF represents an additional expenditure of \$88.9 million and \$42.9 million for 2021/22 Budget and 2020/21 Amended Budget, respectively.

The City's proposed total General Fund expenditures are \$14.2 million, an increase of \$1,271,000 or 9.8% when compared to the FY 2020/21 budget. This increase is primarily attributed to increased salaries and benefits resulting from previously negotiated cost of living adjustment (COLA) increases for employees and more significantly increased benefit related costs associated with CalPERS increases, Other Post-Employment Benefits (OPEB) and health cost increases. The General Fund revenues are budgeted at \$14.3 million (excluding transfers in), a 24.5% increase over FY 2020/21 budgeted revenues. The General Fund will also receive transfers in from other funds totaling \$1.2 million for total General Fund revenues of \$15.5 million.

The chart on the next page summarizes General Fund Revenue projections for the coming year. The City has a tourism-centric economy and the drop in FY 2019/20 and the rebound in FY 2020/21 is evident in the next table.

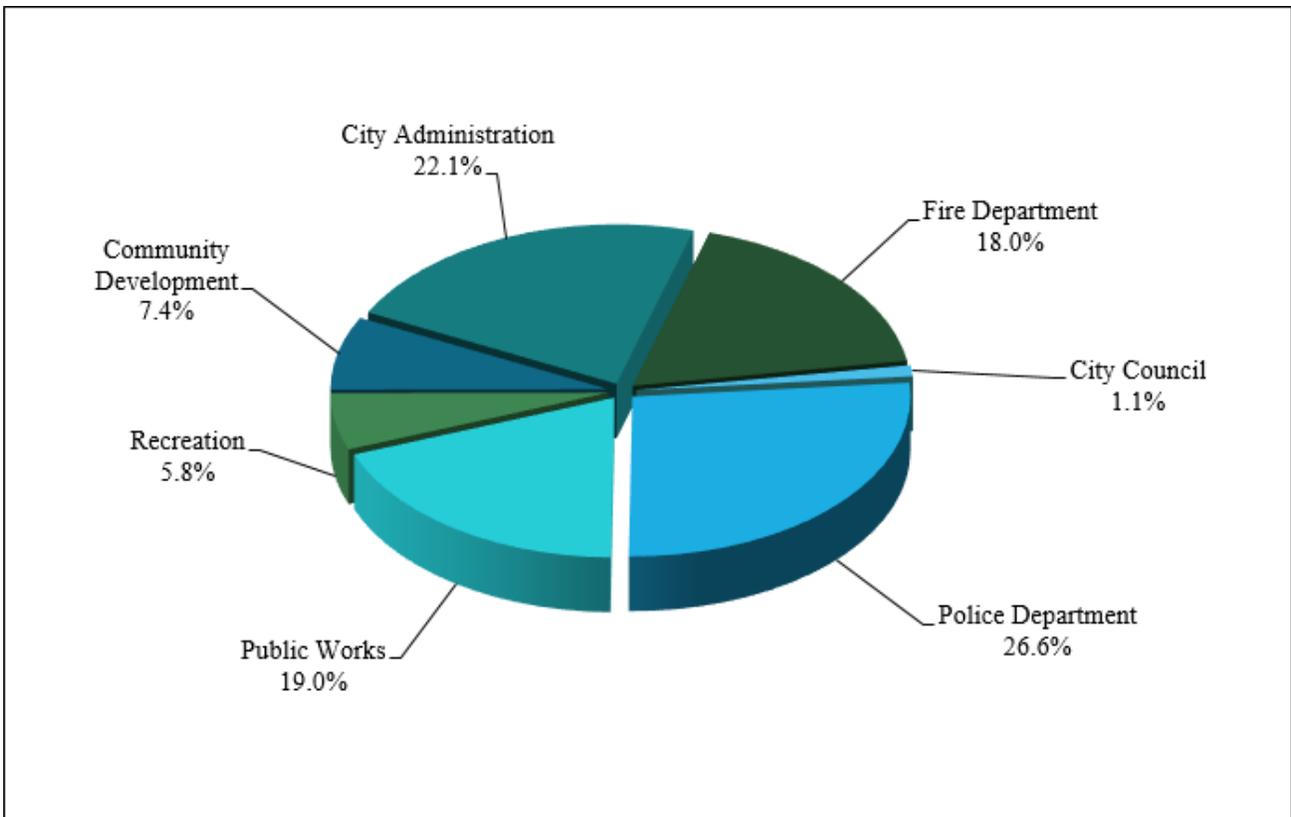
<u>Revenue Category</u>	<u>2017/18 Actuals</u>	<u>2018/19 Actuals</u>	<u>2019/20 Actuals</u>	<u>2020/21 Amended</u>	<u>2020/21 Estimated</u>	<u>2021/22 Proposed</u>
Sales & Use Tax	\$ 1,971,038	\$ 2,114,207	\$ 2,186,074	\$ 1,913,322	\$ 2,150,281	\$ 2,164,719
Cannabis City Tax	-	-	-	106,000	204,243	426,000
Property Tax including VLF	4,309,823	4,526,121	4,619,962	4,223,755	4,556,488	4,992,835
Franchise Fees	524,997	528,560	555,644	536,137	542,258	572,259
Business License	353,220	347,964	353,413	304,212	359,503	364,173
Transient Occupancy Tax	3,429,186	3,576,121	2,892,130	2,402,479	3,490,603	3,577,868
Licenses & Permits	133,739	129,054	139,345	95,500	159,371	156,500
Intergovernmental	441,140	158,630	41,598	55,114	44,655	59,861
Charges for Service	1,402,732	1,531,744	1,493,528	1,036,787	1,315,609	1,403,633
Fines & Forfeitures	10,003	4,834	6,880	6,000	6,000	7,000
Use of Money & Property	478,405	371,041	323,495	360,802	360,497	499,900
Other Sources	46,938	42,246	66,724	456,067	454,460	85,348
Total Revenues	\$ 13,101,221	\$ 13,330,522	\$ 12,678,793	\$ 11,496,175	\$ 13,643,968	\$ 14,310,096
Transfers In:	1,528,702	1,328,801	2,729,784	2,581,062	1,211,862	1,244,577
Total Revenues & Transfers In	\$ 14,629,923	\$ 14,659,323	\$ 15,408,577	\$ 14,077,237	\$ 14,855,830	\$ 15,554,673

This chart shows the distribution of General Fund revenues within each category.



The Proposed Budget restores many of the reductions that were required in the FY 2020/21 adopted Budget. The Proposed FY 2021/22 Budget directly supports the following:

- Staffing to provide maintain and enhance public safety, maintenance of public spaces, the economic engine of the city through efficient permitting and business support, and financial sustainability;
- Equipment replacement such as police patrol vehicles, lifeguard truck and maintenance truck;
- Services such as professional experts to dispatch police and fire calls for service, trim trees, process applications, conduct financial audits just to name a few;
- Capital Improvement project implementation support to speed-up project implementation;
- Capital Improvement Investments (i.e., street paving, storm drains, wayfinding signage, WRF, etc.); and
- Restoration of the General Fund Emergency Reserve (GFER).



One item that deserves to be highlighted is the elimination of funding for the City's OpenGov. This is the financial data visualization and transparency platform that includes the City's budget information gets very limited use by the public (less than 30 users in the last 90 days and of those 9 were identified as being from Morro Bay), the average user is staying on the site for 10 seconds (systemwide average is 3 minutes), staff does not use it at all because data is available in our financial system. Because of COVID-19 related staffing reductions in Finance the data has not been updated for some time. It costs staff time when it is being updated and \$8,348.60 annually. Staff's recommendation to discontinue use of this system is based on these factors.

A significant bright note in the proposed budget is the restoration of the General Fund Emergency Reserve (GFER). As a result of the devastating loss of revenue during FY 2019/20 as a result of COVID-19 Pandemic, the City relied on \$1,438,192 from the GFER to fill the deficit. In spite of layoffs of almost 10% of the City's full-time staff, the City faced a significant budget deficit. FY 2020/21 budget anticipated using \$1,283,319 in reserve funds to help offset the devastating revenue losses due to COVID-19 Pandemic on the City's General Fund. At mid-year (February 23, 2021), Council approved revenue amendments which lowered the anticipated transfer from the GFER to the General Fund to \$671,000. The estimated revenues are coming in significantly higher than projected at mid-year so there is a possibility that the General Fund will need no contribution from the GFER. If the \$671,000 is required for the current fiscal year, the GFER will end FY 2020/21 and FY 2021/22 with a fund balance of \$1.75 million and \$2.66 million, respectively. If no contribution from GFER is required in the current year the GFER will end FY 2020/21 and FY 2021/22 with a fund balance of \$2.39 million and \$3.32 million, respectively. In any scenario the ending fund balance is below the 25% minimum funding level of \$3.4 million (28% target level = \$3.8 million).

Next year several transfers into the GFER including from the General Fund (\$250,000), Measure Q & E (\$125,000) and American Rescue Plan Act (ARPA) fund (\$500,000). The ARPA contribution may not be eligible based on initial review of the Interim Rules from the US Department of Treasury. Any changes based upon staff review of the Federal rules will be brought forward to Council as a supplemental recommendation with the overall budget review.

It is important to note that none of these GFER balance estimates considers the possibility that the General Fund might end the year in a better position than staff is currently estimating. This would mean the General Fund might have the capacity to contribute more to the GFER to compensate for the balance used in FY 2019/20 to fill the COVID-19 driven deficit. Staff will be recommending to Council that any FY 2020/21 General Fund balance (excess revenues over expenditures) when the books are closed on FY 2020/21 be directed to the GFER.

One last note about a change to expect in the adopted budget – staff intends to add a Five-Year Financial Forecast to the document instead of the Ten-Year Financial Forecast which has been provided in the past. It is prudent to narrow the focus based on the status of the City's forecasting model, the validity of the long-range assumptions contained in the model, and the dynamic nature of the future economy beyond five years. Staff is committed to evaluating a new model that simplifies the construction of the forecast as well as being flexible to manage ever-changing economic and financial circumstances.

ATTACHMENTS

1. [FY-2021-22-Proposed-Operating-and-Capital-Budget](#)
2. Transmittal letter



CITY OF MORRO BAY ROCK SOLID TOGETHER

595 HARBOR STREET
MORRO BAY, CA

May 12, 2021

Honorable Mayor and City Council:

On behalf of our dedicated City staff, it is my privilege to present to you and the Morro Bay community the Proposed Operating and Capital Budgets for Fiscal Year (FY) 2021/22. This budget is a true reflection of this Council and previous Council's proactive and conservative approach to the City's budget and finances over the years. The Council established reserves above the Government Finance Officers Association's recommended minimum levels. This helped the City weather the unprecedented and unpredictable COVID-19 pandemic and recover from those impacts.

Before embarking on the discussion about next year's budget, we must first review the extraordinary year we experienced. Our world, country, state, City, and community were forever changed following the onset of the COVID-19 pandemic in March 2020. The public health crisis upended our economy, school and health care systems, our personal schedules...essentially every aspect of lives. We changed how we interacted with our friends, families, co-workers, and the general public. We kept our distance, wore masks, and sacrificed portions of our freedom. Many Morro Bay businesses closed their doors temporarily and re-opened with entirely new ways of receiving their customers. It was a monumental shift in our daily lives. Together we took these painful, but necessary steps to help contain the virus and save lives.

The City of Morro Bay both played a significant role in warding off the virus and suffered like other organizations from reduced revenues and worry about the long-term impacts on our sustainability. The City responded to state and federal emergency declarations early on in the crisis, launching its Emergency Operations Center (EOC). City staff played dual roles in continuing to provide community services – police, fire, code enforcement, water and sewer, park maintenance, plan checks, etc. while serving on the front lines of protecting our community members from COVID-19.

I am extremely proud of how our City team stepped up to support the community, while also contending with the financial fallout from the pandemic. Shortly after the local emergency was declared to fight the pandemic, City Council activated the City's Short-Term Fiscal Emergency Plan in March 2020. The City took quick and drastic action to readjust revenue projections for the remainder of FY 2019/20 and curtail expenditures to ensure the continued solvency of the General Fund. Given the travel restrictions put in place by the Governor, the City's consumer driven revenue sources – Transient Occupancy Tax (TOT) and sales tax – were heavily impacted. In order to make up for these rapidly declining revenues, on the expense side City staff agreed to 5% pay cuts, the Council and Planning Commissioners waived their stipends, the City Attorney and Water Reclamation Facility (WRF) Program Manager reduced their fees, reserves were drawn down in the General Fund and Harbor Fund, training and travel budgets were restricted, capital projects were deferred, vacant positions were frozen and, unfortunately, many members of our City team were let go. The FY 2020/21 budget was developed with the same challenging fiscal realities, and every department and line of service was impacted by these hard decisions. The Council adopted the budget anticipating significantly reduced revenues and expenses and further use of emergency reserves. (The FY 2020/21 adopted budget included a reduction of expenditures of 18% compared to FY 2019/20 and a \$1 million drawdown of GF reserves).

We as a City and community battled together under the “Rock Solid Together” mantra, from front line staff up to the Department Directors and City Council to provide the core services our community members depend upon and worked together to contain the deadly virus. Our community was right there with us, as they did their part to keep each other safe, generously taking care of neighbors, friends, and strangers alike. They further supported our efforts by passing Measure E-20 (1% sales tax increase) at the November 2020 ballot, providing us the ability to recover financially from the pandemic and begin investing in our physical assets that make modern life possible.

I am amazed at the resiliency of our community and City. The past year tested each of our abilities, resolve and commitment to getting the job done. That very resiliency that got us through the tough year has allowed us to turn the corner financially. The passage of Measure E, the success of the vaccinations locally, and the rebounding economy all point to brighter days ahead and a stronger financial forecast for our City. We have witnessed a very strong rebound of our local economy, far outpacing our original and mid-year revised projections for the current fiscal year. Given the improving conditions, we hope to end FY 2020/21 without having to use any emergency reserves, and potentially being able to restore a significant amount to reserves. This will give us a tremendous boost as we head into next fiscal year.

Vaccinations and use of masks have contained the virus, allowing more of our economy and community to reopen cautiously. As we begin to transition to “normalcy,” however, we must never forget those who lost their lives to the awful virus. Nor shall we lose sight of the sacrifices made by our residents and business owners to weather the public health and economic crises triggered by COVID-19.

FISCAL YEAR 2021/22 PROPOSED BUDGET

Presented herewith is a balanced FY 2021/22 Operating Budget for the City of Morro Bay. In keeping with the theme of resiliency and rebounding, our budget picture could not look more different compared to the past 15 months outlined above. Whereas last year we planned for drastically reduced revenues and expenses and large drawdowns of our reserves, we now are rebounding to the point where we can strategically reinstate vacant positions, fund badly needed equipment replacements, reverse staff pay cuts and offer compensation increases, and begin the process of investing in our aging infrastructure. The rebound is dramatic, and it is only made possible by the resiliency of our community, City Council, and our City staff.

The budget for FY 2021/22 reflects total expenditures for the City budget of \$121.7 million (including Capital Projects and excluding transfers between funds), this is an increase of \$52.3 million or 75% when compared to the FY 2020/21 Amended Budget. This increase is primarily attributed to the planned progression of the City’s Water Reclamation Facility (WRF). Without the WRF increase, the Amended Budget for 2021/22 is \$32.8 million which is an increase of \$6.4 million or 24% when compared to the 2020/21 Amended Budget. The WRF represents an additional expenditure of \$88.9 million and \$42.9 million for 2021/22 Budget and 2020/21 Amended Budget, respectively.

The City’s proposed total General Fund expenditures are \$14.2 million, an increase of \$1,271,000 or 9.8% when compared to the FY 2020/21 budget. This increase is primarily attributed to increased salaries and benefits resulting from previously negotiated cost of living adjustment (COLA) increases for employees and more significantly increased benefit related costs associated with CalPERS increases, Other Post-Employment Benefits (OPEB) and health cost increases. The General Fund revenues are budgeted at \$14.3 million (excluding transfers in), a 24.5% increase over FY 2020/21 budgeted revenues. The General Fund will also receive transfers in from other funds totaling \$1.2 million for total General Fund revenues of \$15.5 million.

The City is working within the budget to achieve City Council Goals and Objectives, which include:

- Achieving financial and economic sustainability,
- Improving public infrastructure – including implementing the Water Reclamation Facility (WRF) and One Water plan,
- Updating the City’s land use plans and addressing affordable housing issues,
- Improving community outreach and engagement, and

- Temporary Council goal of responding to the public health and economic crises related to the COVID-19 pandemic.

These important and aspirational goals are achievable only because the City is able to meet the community's expectations with regard to core services like emergency response, water and wastewater services, streets and sidewalk maintenance, recreation and park services, facility maintenance, permitting processing, tax and service fee collections and code inspection services. Pursuit of these ambitious goals has also been made possible due to the improving local economy and added revenues.

Rebounding and Enhanced Revenues

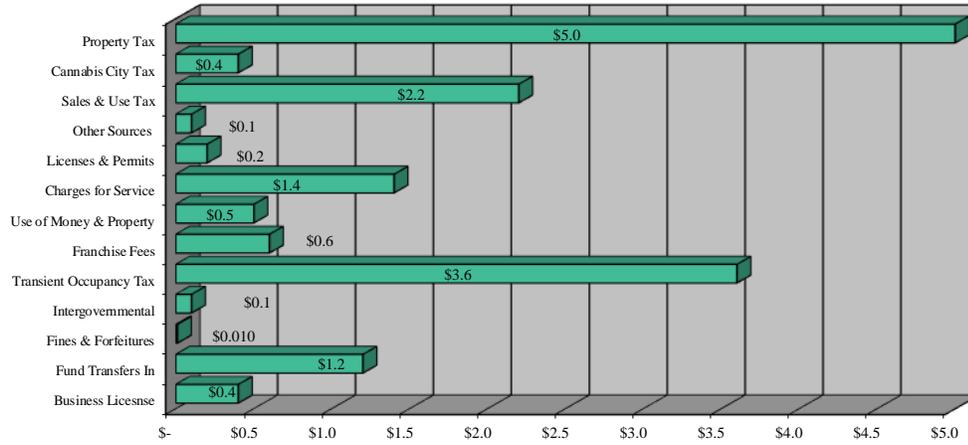
Traditional Revenue Sources

The chief drivers of the rebound are the improved local economy and new sources of revenue. With regard to traditional revenue sources, the local lodging industry has nearly fully recovered, bringing much needed increases in TOT revenues. Consumer spending has rebounded as well, improving our sales tax projections. The fire hot real estate market has also bumped up projections for property tax. Those three revenue sources account for 69% of the total General Fund revenues (including transfers in). Staff forecasts a return to pre-pandemic revenue levels in most those categories for FY 2021/22.

The tables on the next page included information on the breakout of General Fund revenues for FY 2021/22, as well as comparative information to previous years.

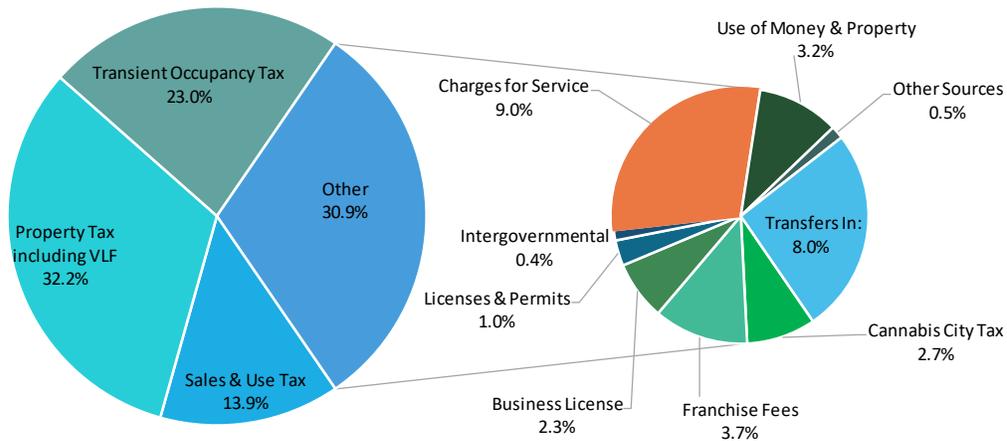
**GENERAL FUND REVENUES
By Category**

\$15.5 Million



Revenue Category	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
Sales & Use Tax	\$ 1,971,038	\$ 2,114,207	\$ 2,186,074	\$ 1,913,322	\$ 2,150,281	\$ 2,164,719	13.9%
Cannabis City Tax	-	-	-	106,000	204,243	426,000	2.7%
Property Tax including VLF	4,309,823	4,526,121	4,619,962	4,223,755	4,556,488	4,992,835	32.1%
Franchise Fees	524,997	528,560	555,644	536,137	542,258	572,259	3.7%
Business License	353,220	347,964	353,413	304,212	359,503	364,173	2.3%
Transient Occupancy Tax	3,429,186	3,576,121	2,892,130	2,402,479	3,490,603	3,577,868	23.0%
Licenses & Permits	133,739	129,054	139,345	95,500	159,371	156,500	1.0%
Intergovernmental	441,140	158,630	41,598	55,114	44,655	59,861	0.4%
Charges for Service	1,402,732	1,531,744	1,493,528	1,036,787	1,315,609	1,403,633	9.0%
Fines & Forfeitures	10,003	4,834	6,880	6,000	6,000	7,000	0.0%
Use of Money & Property	478,405	371,041	323,495	360,802	360,497	499,900	3.2%
Other Sources	46,938	42,246	66,724	456,067	454,460	85,348	0.5%
Total Revenues	\$ 13,101,221	\$ 13,330,522	\$ 12,678,793	\$ 11,496,175	\$ 13,643,968	\$ 14,310,096	
Transfers In:	1,528,702	1,328,801	2,729,784	2,581,062	1,211,862	1,244,577	8.0%
Total Revenues & Transfers In	\$ 14,629,923	\$ 14,659,323	\$ 15,408,577	\$ 14,077,237	\$ 14,855,830	\$ 15,554,673	100%

General Fund Revenues By Account



Cannabis Revenue

Two cannabis retail shops are now open in Morro Bay. As Council may recall, Morro Bay residents approved a cannabis specific tax of up to 10% in 2018, for sale of cannabis within Morro Bay. Council set the tax rate of 5% for all retail sales locally. After consulting with the two retailers and reviewing their existing monthly revenue numbers, staff anticipates Cannabis tax will bring in another \$426,000 to the City in FY 2021/22. This new source of revenue will help support one-time expenses, primarily maintenance, equipment, and capital needs.

Measure Q and E Revenue

Additional positive news for revenues includes the aforementioned passage of Measure E-20 (Measure E). The new sales tax measure will bring in an anticipated \$2.2 million annually to invest in public safety, cleanliness and infrastructure. City Council and the Citizen Finance Advisory Committee (CFAC) reviewed and approved recommendations to combine Measure E with Measure Q (the 0.5% sales tax approved by Morro Bay voters in 2006) and provided further guidance to staff with regard to budget preparation.

Following passage of Measure E, City Council adopted principles and priorities for expenditures of those for FY 2021/22 and beyond. The adopted principles are as follows:

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include costs associated with Morro Bay Fire Department, Morro Bay Police Department and Morro Bay Harbor Department personnel and equipment, in addition to the Fire Headquarter debt service and the Fire engine loan repayment.
2. Maintain or enhance cleanliness and safety of public spaces such as parks, waterfront, and the beach by funding personnel, supplies, and equipment primarily provided by our Public Works Consolidated Maintenance and Harbor Department.
3. Invest in infrastructure and equipment such as street paving, storm drains, and vehicle replacements that support City services. This priority may include increasing capacity to implement the backlog of unfunded capital projects.
4. Ensure financial health of the City by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.

In April 2021, staff presented a draft Measure Q and E expenditure plan to the Citizen's Finance Advisory Committee (CFAC) which aligned the proposed expenditures with these principles. The CFAC made modifications to fund more public safety personnel (Police and Fire sworn staff) and reduce the amount dedicated to storm drain repairs and maintenance. The proposed expenditure plan models the request from CFAC with one minor exception (explained below) and includes the following major categories of expenditures:

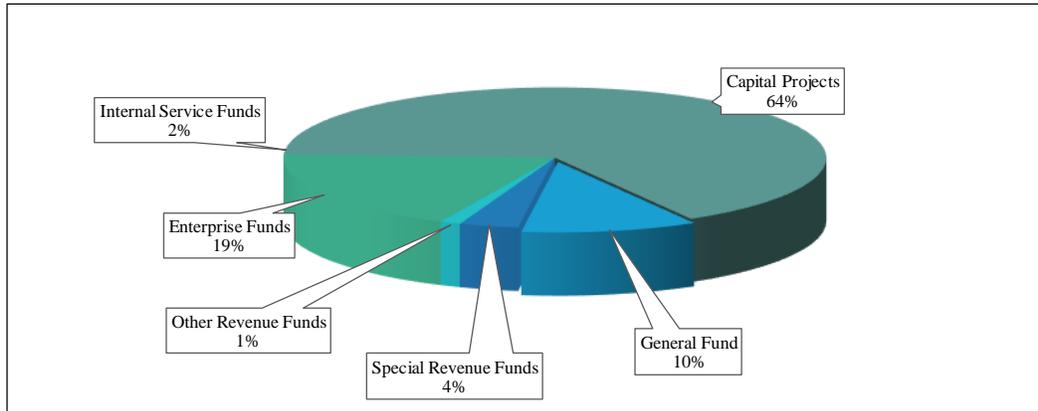
- Staffing: To maintain and/or restore positions in the Police Department (3 positions), Fire Department (3 positions and overtime), Public Works – Consolidated Maintenance (2 positions), and the Harbor Department (Lifeguard Program).
- Equipment replacement in the Police Department (Records Management System and Report Dictation System), Public Works – Consolidated Maintenance (truck replacement) and Harbor Department (replace firefighting equipment).
- Services: To maintain and/or enhance public spaces through sidewalk replacement and trash disposal on the waterfront.
- Capital Improvement project implementation support: A pool of Measure Q & E funding is identified so that staff capacity can be enhanced to ensure CIP projects are implemented in a timely fashion.
- Capital Improvement Investments: Street paving, storm drain maintenance and repair as well as intersection improvements at State Route 1/Main Street/State Route 41 are included in this plan.
- Debt Service on Fire Station United States Agriculture Department loan and repayment to the General Fund Emergency Reserve for purchase of a fire engine.
- Restore the General Fund Reserve

Federal Revenue Support

An unexpected revenue support for the next year comes in the form of the America Rescue Plan Act (ARPA), which provides over \$350 billion to states, counties, cities and tribal jurisdictions. Based upon the per capita funding methodology in the act, Morro Bay will receive \$990,000 this June and another \$990,000 in June 2022. These funds will help the City both invest in needed equipment and rebuild emergency reserves. Federal guidelines were delivered to cities on May 10, 2021. Staff has not had time to review the guidelines closely in time for the issuance of the draft budget. Therefore, several assumptions made by staff regarding allowable usage of these funds in the FY 2021/22 budget may be invalid. This may require staff to make changes to the budget after the draft budget is released. If that is the case, staff will issue a budget supplemental to City Council for review ahead of budget approvals.

The next table is a breakout of all major fund revenues, as a percentage of the total City operations and capital budgets.

TOTAL CITY REVENUES
By Fund



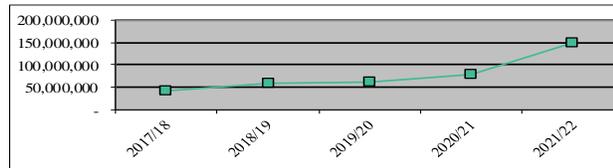
FY 201/22 Revenues By Fund

	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
General Fund	\$ 14,629,925	\$ 14,662,936	\$ 15,409,836	\$ 14,077,237	\$ 14,855,830	\$ 15,554,673	10.0%
Special Revenue Funds	1,998,563	2,582,537	1,791,429	1,819,250	3,140,265	5,218,340	4.0%
Other Revenue Funds	2,199,555	2,456,907	2,677,157	1,469,731	1,732,307	1,825,577	1.0%
Enterprise Funds	17,951,992	24,026,587	25,934,506	30,978,774	30,017,107	27,979,310	19.0%
Internal Service Funds	1,986,166	2,367,406	2,632,586	2,670,188	2,872,061	3,394,730	2.0%
Capital Projects	3,884,711	12,095,661	13,074,184	48,405,176	25,216,964	94,341,664	64.0%
Total Rev & Transfers In	\$ 42,650,912	\$ 58,192,034	\$ 61,519,698	\$ 99,420,356	\$ 77,834,534	\$ 148,314,294	100.0%

CITY REVENUE HISTORICAL TREND

(Includes Transfers In)

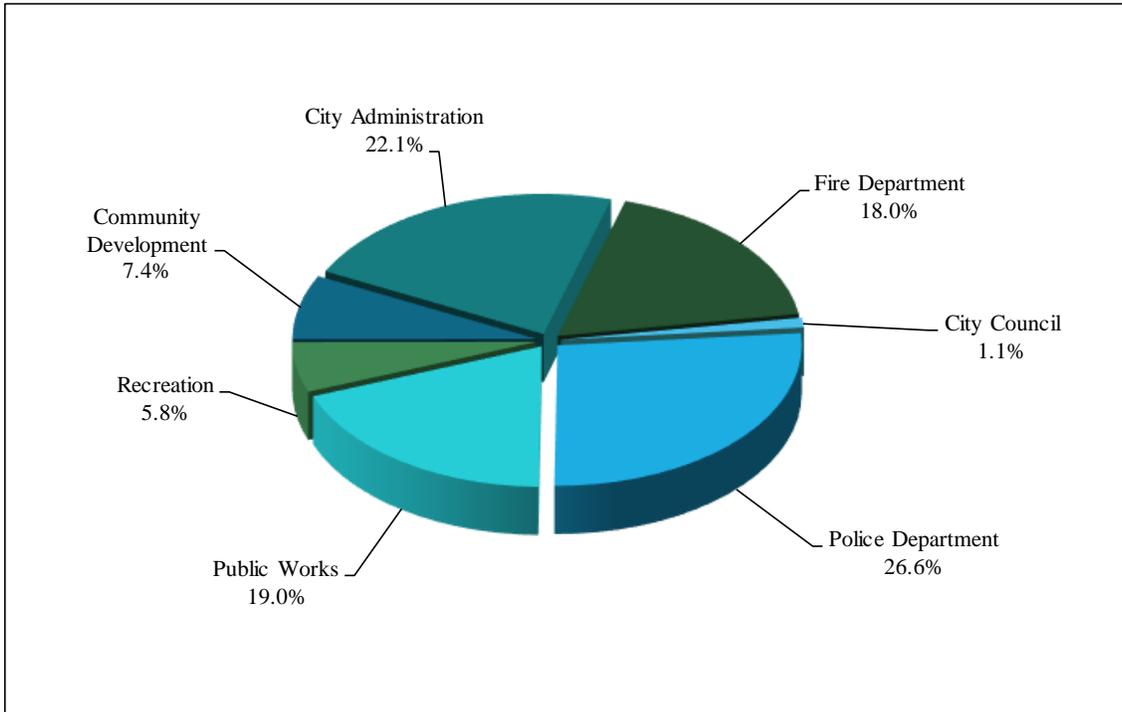
FY	Total	Status
2017/18	42,650,912	Actuals
2018/19	58,192,034	Actuals
2019/20	61,519,698	Actuals
2020/21	77,834,534	Estimated
2021/22	148,314,294	Projected



FY 2021/22: A Year of Strategic Investments – People, Equipment, and Capital Improvements

The dramatically improved financial picture in FY 2021/22 affords the City with what has been a rare opportunity in recent years to make strategic investments in our people, the tools that allow them to get the job done, and our physical assets (roads, parks, restrooms, storm drains, harbor facilities, etc.). The table below outlines the percentage of the proposed FY 2021/22 General Fund budget for each of the departments.

GENERAL FUND EXPENDITURES By Department



Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
Police Department	\$ 3,521,549	\$ 3,359,254	\$ 3,871,520	\$ 3,537,166	\$ 3,535,950	\$ 3,775,377	26.6%
Fire Department	3,200,709	2,712,709	3,010,317	2,937,326	3,174,265	2,559,130	18.0%
Public Works	2,428,683	2,418,757	2,621,367	2,366,212	2,167,946	2,697,827	19.0%
Community Development	849,906	919,817	1,024,250	914,511	911,231	1,054,326	7.4%
City Administration	2,118,967	2,295,213	2,431,410	2,365,146	2,430,494	3,133,884	22.1%
Recreation	1,070,905	1,197,289	1,211,857	721,755	721,863	817,328	5.8%
City Council	108,530	123,043	91,185	84,098	56,255	159,298	1.1%
Total General Fund Exp	\$ 13,299,249	\$ 13,026,082	\$ 14,261,906	\$ 12,926,214	\$ 12,998,004	\$ 14,197,170	100%
Town Debt Payments:	\$ 35,078	\$ 35,189	\$ 35,277	\$ 35,191	\$ 35,189	\$ 35,190	
Transfers Out:	562,990	855,149	480,970	563,000	363,273	1,289,688	
Net Operating Expenditures	\$ 13,897,317	\$ 13,916,420	\$ 14,778,153	\$ 13,524,405	\$ 13,396,466	\$ 15,522,048	

**Portions of the Fire, Police and Public Works Departments are funded from the Measure E/Q Fund. Expenses from these departments charged to Measure E/Q Fund are not reflected in the General Fund table above.*

Staffing Considerations

If anything, the pandemic has taught us the need innovate to accomplish our mission. It also reminded us that our most precious resource is our staff.

We had less people and more responsibilities to take on with the pandemic response. Our total compliment of full-time staff (FTE) was reduced by 9 positions from 97.4 FTE in FY 2019/20 to 88.1 FTE in FY 2020/21. We also needed to provide service to our community that were traditionally provided face to face but could not because of social distancing requirements. In addition, employees took on new responsibilities to help inform the public and

businesses about changing pandemic regulations and serve those disproportionately impacted by the public health crisis. This was in addition to them volunteering for compensation reductions to help balance our budget. I am very proud of how our City staff stepped up to fill the gaps, develop new systems on the fly, and respond to this once in a century public health and financial challenge; however, these abrupt changes and added responsibilities, coupled with reductions in positions, stretched our organization thin. In fact, that stretching reached breaking points in several departments. We met the COVID-19 challenge as an organization, but we recognize that we are not on a sustainable path regarding our current staffing levels.

Moving forward, we know that we cannot continue to provide quality core services with the constrained staffing model we adopted in our pandemic response. In developing the draft FY 2021/22 Budget, each department was tasked with evaluating its needs as well as opportunities to do things differently. We are applying the mindset of doing things differently that recognizes and accounts for the breaking points in the organization. Applying that innovation mindset and acknowledging the realities of what it takes to get the job done, we are recommending several key staffing enhancements to the FY 2021/22 budget. We believe we can meet the mission of delivering core services to our community through position modifications and filling several other vacant positions. With the proposed position enhancements in this budget, we will return to near pre-pandemic levels (see table below).

	2018/19	2019/20	2020/21	2021/22	FTE
	Funded	Funded	Funded	Funded	Change
Total City FTEs					
Administration	12.00	12.00	10.00	11.00	1.00
Recreation Services	4.00	4.00	2.00	3.75	1.75
Community Development Department	6.00	6.00	5.00	6.00	1.00
Police Department	20.75	21.38	20.38	21.38	1.00
Fire Department	13.75	13.75	13.75	15.00	1.25
Public Works	18.00	18.00	14.00	17.00	3.00
Utilities	18.15	16.27	17.00	18.00	1.00
Harbor Department	7.00	6.00	6.00	6.00	0.00
Total City-wide FTEs	99.7	97.4	88.1	98.1	10.00

Below is a summary of proposed staffing changes by department:

Administration – The City eliminated two administrative support positions in the FY 2020/21 Budget. Staff recommends restoring one of the support positions, and converting the other into an administrative analyst position. The analytical support will help all functions within the Administrative Services Department (Finance, Human Resources, City Clerk, Information Technology and City Manager). This staff person will further assist the new Administrative Services Director/Assistant City Manager with the annual budget and capital improvement project (CIP) processes.

Recreation – Recreation programming was curtailed significantly by social distancing protocols established by the State and County. In response, the City eliminated administrative support and sports programming positions, in addition to a large number of part-time positions. With restrictions easing, the City is beginning programming for youth and seniors again. Therefore, staff is recommending reinstating a ¾ FTE for sports programming and 1 FTE for administrative support. Staff is also bringing back part-time positions to ensure success of these programs.

Community Development – The City eliminated 1 FTE planner position in the face of declining revenues in FY 2020/21. With conditions improving and demand for community planning services reaching pre-pandemic levels, staff recommends restoring this position.

Police – The City held a police officer position vacant throughout the first half of FY 2020/21. Around mid-year, the Police Department filled the position and expenses were assumed by Measure Q for the remainder of FY 2020/21. Moving forward into FY 2021/22, staff recommends that position be fully restored.

Fire – In FY 2020/21, the City reduced the full-time administrative support position in Fire to ¾ time to account for financial impacts from the pandemic. Moving into FY 2021/22, staff recommends reinstating the ¼ to the position.

In addition, staff recommends converting overtime and part-time expenses that make up the 12th firefighter position into one full-time position. This recommended conversion will have minimal impact on the budget. Staff is also recommending modifications to the Fire Marshal position, raising it from the Captain's rank to that of Division Chief. This will provide much needed administrative and leadership support to the new Fire Chief and will largely be cost neutral.

Public Works – For FY 2020/21, the City eliminated the maintenance superintendent position, a consolidated maintenance position and an engineering position. The City also held the Public Works Director position vacant from March 2020 through May 2021. In order to ensure functionality and leadership in the department, in FY 2021/22 staff recommends fully funding the Public Works Director position and filling the maintenance and engineering positions. Further, staff recognizes there are additional needs in engineering to keep pace with development demands and the need to execute on capital improvement projects. Therefore, the recommended FY 2021/22 budget also includes funding for additional position(s) in engineering. The structure and the specific job duties of position(s) has yet to be determined. Rather, staff believes it is best for the new Public Works Director to conduct an assessment and then develop recommendations for Council consideration on those needs in the coming months.

Utilities – In order to ensure proper start-up and efficient operations at the new Water Reclamation Facility (WRF), staff is recommending the addition of full-time Electrical and Instrumentation Technician whose primary duties will be to support the SCADA system for the WRF. Staff anticipates hiring for this position mid-year FY 2021/22 around the time WRF start-up activities begin.

Employee Compensation

Our success as a City in meeting the needs and desires of our community rest almost entirely on the shoulders of our City employees. They are the heartbeat of our organization. In order to ensure that we attract and retain talented professionals to serve the Morro Bay community, we must provide competitive compensation. Prior to the pandemic the City had struggled to maintain parity with our neighboring jurisdictions. That gap widened during when the pandemic struck. While our employees took pay cuts during the pandemic, many of the other cities in our region either maintained status quo for their workers or provided increases in salaries. Given our improved economic and financial conditions, we are now poised to take needed strides now to catch up with other local cities in terms of employee compensation. The FY 2021/22 proposed budget provides for larger increases than offered in years past to help make up ground lost over the past 15 months.

Non-personnel Expenses

With the addition of Measure E (combining with Measure Q) and the temporary assistance from ARPA, the City is positioned to maintain and enhance public safety and maintenance staffing as well as replace City vehicles, technological equipment, and maintenance equipment. The City also can once again set aside funds for future replacement of these tools that help our employees succeed in their positions.

Capital Improvement Projects

The FY 2021/22 includes a significant amount of investment in our capital needs. In total the City will invest more than \$97,246,000 in capital projects citywide.

WRF and One Water Projects

First and foremost is the WRF program. FY 2021/22 will be the peak year in terms of activity for the project, as construction of the treatment facility and conveyance system are in full stride and advance work on the injection well system continues. The total projected expenditures for the WRF program in FY 2021/22 are approximately \$88.5 million. The City is anticipated a higher total cost for the overall program (moving from \$138.5 million to \$144.5 million) to account for the recent soil slip on the treatment facility property, need for more cultural resource investigative work, supporting program management costs, and maintaining a healthy contingency for potential unknown costs. The WRF project is supported by established water and sewer rates which will not change as a result of project increases. The City has already secured a \$61 million low-interest loan from the federal government and is close to signing a loan agreement with the state for another \$61 million low-interest loan and \$5 million grant. At

this time, it is projected the City will finance the remaining portion of the project with water and sewer fund cash reserves. Next year also includes continued investment in other water and sewer infrastructure, as design work progresses on three One Water projects.

General Government Projects

The proposed budget includes \$1,150,000 for paving of City streets; \$766,000 for the State Route 1/41/Main Street intersection improvement project; \$727,000 for stormwater replacement work, \$318,000 for the Coleman Beach restroom replacement project; \$150,000 for Wayfinding signage; \$148,000 for Vets Hall audio and video upgrades; and \$57,000 for installation of electric car charging stations, and \$29,000 for the bocce court/greenhouse project.

Harbor Fund Projects

The budget also includes investment of Measure E/Q revenues into the Harbor Fund. This proposed investment of trash disposal and lifeguard support will help keep the waterfront clean and our beaches safe. This investment allows the Harbor Fund to set aside funds for upkeep of docks, piers and other infrastructure that supports commercial and recreational fishing in Morro Bay. The Harbor Department's capital project funding for FY 2021/22 includes \$600,000 for improvements to the Beach Street Slips (North & South). Also included is \$230,000 to replace or repower the engines in the used harbor patrol vessel that was purchased for \$85,000 in FY 2020/21 from the San Luis Obispo Harbor District. Each year as a routine item, \$10,000 is appropriated for repairs that may arise for the ice machine. All other Harbor capital projects are on hold at this point until more information is known about the impacts of COVID-19 on the Fund's revenues.

Transit Fund Projects

The Transit fund is carrying forward funds to finalize purchase of the replacement trolley as well is proposing new capital projects for the City Park Transit Hub Improvements for \$473,000, an automated Fare collection system for \$74,000, and a ZEB Implementation Plan for \$40,000. All projects are being funded through state highway revenues and or transit fund reserves.

Understanding the Budget Document

The Operating and Capital Budget document includes City-wide information as well as information specific to each fund and each Department. The City receives revenues from different sources, many of which have restrictions on how they can be used. Separate funds are established to account for the different types of revenues and allowable uses of those revenues.

The budget is prepared in accordance with Generally Accepted Accounting Principles. The budget for government funds has been prepared on a modified accrual basis. The modified accrual basis recognizes expenditures when the related fund liability is incurred. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

10-Year Financial Forecast

The 10-Year Financial Forecast was presented to Council on February 23, 2021. An updated version will be issued under separate cover.

State and Federal Budget Impacts

In addition to planning for future financial obligations, such as pensions and infrastructure, the City also faces the challenge of compliance with unfunded mandates from the State and Federal government. Growing State and Federal regulations continue to tax the resources of local governments. The City's growing pension liabilities as well as unfunded infrastructure needs, are two of the largest long-term financial challenges in the coming years for the City.

Cities like Morro Bay and their respective collective bargaining units are doing what they can to prepare for the increased pension payments. However, the state could undertake efforts to address structural reform to reduce pension obligations. With housing, homelessness and pandemic response being the primary focus of the Governor and Legislature this year, its unlikely that the state will take up the issue of pension liabilities.

Conclusion - Looking Forward to the Future

Given the improving revenue projections, the City will invest in capital needs assessment. This will allow us to understand our true needs in the waterfront, etc., and begin process of prioritization.

The turnaround from March 2020 has been nothing short of breathtaking. In June 2020 we were preparing for the potential of long-lasting economic peril. The great news is that we will enter this next year with renewed optimism. This change of circumstances allows us to seize opportunities for innovation, restored programs beloved by the community, invest in our infrastructure and recommit to our staff such that their pay, tool, equipment, leadership, and work environment match the excellent service they provide to the community. It is important to remember that the business of government is all about serving the community in a manner that makes it more safe, beautiful, and welcoming. The City achieves this through the hard work, dedication and perseverance of our staff, volunteers (like those serving on our boards, commissions, and committees) and all those who love Morro Bay. I am gratified that so many people love the City of Morro Bay. This reinforce my belief that we are Rock Solid Together!

I must take a moment to thank our staff for all they have done to keep our community safe, while taking on additional duties throughout the pandemic. I also want to provide a special callout for the Finance team. They have been tasked to do so much during the pandemic to manage the dynamic financial situation the City has faced over the last year.

Lastly, this budget would not be possible without the City team's extra work, late nights, early mornings, and weekend work! Specifically, I would like to acknowledge all Department Directors and staff who participated in the budget process including Bonnie Johnson, Police Chief Jody Cox, Damaris Hanson, Joe Mueller, Janeen Burlingame, Kirk Carmichael, Cindy Jacinth, Laurie Goforth, Heather Goodwin, Dana Swanson, Fire Chief Steve Knuckles, Matt Vierra, Lori Stilts, Eric Endersby, Rob Livick, Scot Graham and Dawn McLean. A big thank you to the Finance Team—Valerie Webb, Tracy McConnell, Charlee Lowe, Chloe Budd, and Doug Harbottle—all of whom helped with the preparation and distribution of the proposed budget. A special thank you to Sandy Martin for her dedication and professionalism even as she prepared for retirement (enjoy!). I want to express my deep appreciation to Katie Lichtig, Interim Finance Director for joining our team and providing thoughtful leadership and strategic advice as we navigated this complicated budget process. The commitment to excellence by this team inspires me!

The combined efforts of these employees resulted in a comprehensive and balanced proposed budget for FY 2021/22.

Respectfully submitted,



Scott Collins
City Manager

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AGENDA NO: B-4

MEETING DATE: May 18, 2021

Staff Report

TO: Chairman and Committee Members **DATE:** May 14, 2021

FROM: Kyle Rhorer – WRF Program Manager, Carollo Engineers
Rob Livick, PE/PLS – City Engineer

SUBJECT: Review Water Reclamation Facility (“WRF”) Quarterly Update Report

RECOMMENDATION

Receive the Q3 2021 WRF Quarterly Update Report and provide input.

DISCUSSION

Provided as Attachment 1 is the Quarterly Water Reclamation Facility Project Report. This report is scheduled to be presented to the City Council on May 25, 2021 and, as such, is being presented to the CFAC committee for review in advance.

The Q3 2021 Quarterly Water Reclamation Facility Project Report provides a summary of WRF program activities and financial metrics for the period of January 1, 2021 through March 31, 2021.

In addition to discussion of the Q3 2021 Quarterly Water Reclamation Facility Project Report, information will be provided regarding the anticipated increase to the WRF program budget reflected in the City’s proposed FY 2021/22 budget. The new budget information will be reflected in the Q4 2021 Quarterly Water Reclamation Facility Project Report. The table below provides the anticipated breakdown of the revised WRF budget by program element.

<i>Project Component</i>	<i>Quarterly Reconciliation Q3 FY 20/21</i>	<i>Quarterly Reconciliation Q4 FY 20/21</i>
Water Reclamation Facility	\$77,087,023	\$77,687,023
Conveyance Facilities	\$37,482,000	\$37,982,000
Recycled Water Facilities	\$5,968,000	\$6,668,000
General Project	\$14,445,000	\$15,445,000
Construction Contingency	\$3,608,977	\$6,943,977
TOTAL	\$138,591,000	\$144,726,000

ATTACHMENTS

1. City of Morro Bay Water Reclamation Facility Quarterly Report
2. May 18, 2021 CFAC presentation slides (Draft)

Prepared By: _____	Dept Review: _____
City Manager Review: <u>SC</u>	City Attorney Review: _____



City of Morro Bay
Water Reclamation Facility Project

QUARTERLY REPORT MARCH 2021

FINAL | May 2021





City of Morro Bay
Water Reclamation Facility Project

QUARTERLY REPORT MARCH 2021

FINAL | May 2021

Contents

Section 1 - PROJECT OVERVIEW	1
1.1 General Project Status Update	1
1.1.1 Water Reclamation Facility	1
1.1.2 Conveyance Facilities	1
1.1.3 Recycled Water Facilities	2
1.2 Quarterly Budget Revision	5
Section 2 - KEY PERFORMANCE MEASURES	9
2.1 Performance Measures	9
Section 3 - PROJECT COSTS	13
3.1 Project Budget	13
3.2 Quarterly Expenditures by Budget Code	13
3.3 Project Cash Flow	15
3.4 Project Cost Summary	15
3.5 Detailed Project Costs	17
3.6 Change Orders	18
3.7 Reimbursement from Funding Agencies	20
Section 4 - PROJECT SCHEDULE	23
4.1 Project Milestones	23
Section 5 - DESIGN AND PROCUREMENT	29
5.1 Design Status	29
5.2 Procurement	29
Section 6 - CONSTRUCTION STATUS	31
6.1 Construction Summary	31
6.2 Upcoming Traffic Control	31
6.2.1 Planned Impacted Areas	31
6.2.2 Hours of Planned Lane/Road Closures	31
6.3 Construction Safety	32
Section 7 - OTHER PROGRAM ACTIVITIES	33
7.1 Public Outreach	33
7.2 Permitting Activities	33

7.3 Funding Status	34
7.4 City Operations Activity	34
Section 8 - PROJECT DETAILS	35
8.1 Water Reclamation Facility	35
8.1.1 Design/Build	35
8.1.2 Project Scope	35
8.1.3 Current Progress	35
8.1.4 Project Challenges	36
8.2 Conveyance Facilities	38
8.2.1 Designer	38
8.2.2 Contractor	38
8.2.3 Project Scope	38
8.2.4 Current Progress	38
8.2.5 Upcoming Activities	38
8.2.6 Project Challenges	39
8.3 Recycled Water Facilities	40
8.3.1 Designer	40
8.3.2 Contractor	40
8.3.3 Project Scope	40
8.3.4 Current Progress	40
8.3.5 Upcoming Activities	41
8.3.6 Project Challenges	41

Tables

Table 1	Project Accomplishments and Challenges	3
Table 2	Budget Revision Summary	7
Table 3	WRF Project Performance Measures	11
Table 4	WRF Project Overall Budget Status (thru March 2021)	13
Table 5	Quarterly Expenditures by Budget Code	14
Table 6	Quarterly Expenditures by Project Component	15
Table 7	WRF Project Cost Fiscal Year Projections	16
Table 8	WRF Project Cost Summary (through March 2021)	16
Table 9	General Project Activities Cost Summary (through March 2021)	17

Table 10	WRF Cost Summary (through March 2021)	17
Table 11	Conveyance Facilities Cost Summary (through March 2021)	17
Table 12	Recycled Water Facilities Cost Summary (through March 2021)	18
Table 13	Summary of Approved Change Orders (Amendment No. 1)	18
Table 14	Summary of Approved Change Orders (Amendment No. 2)	19
Table 15	Summary of Approved Change Orders (Amendment No. 3)	19
Table 16	Summary of Approved Change Orders (Amendment No. 4)	20
Table 17	Summary of Approved Change Orders (Amendment No. 5)	20
Table 18	Summary of Reimbursement Requests	21
Table 19	Time Schedule Order Milestone Summary	23
Table 20	Expanded Milestone Schedule	27
Table 21	Procurement Status (through March 2021)	29
Table 22	Procurement Status (through March 2021)	29
Table 23	Project Construction Costs	31
Table 24	WRF Performance Measures	37
Table 25	WRF Construction Summary	37
Table 26	Conveyance Facilities Performance Measures	39
Table 27	Conveyance Facilities Summary	39
Table 28	Recycled Water Facilities Performance Measures	41
Table 29	Recycled Water Facilities Summary	41

Figures

Figure 1	Project Cash Flow Projections and Actual Expenditures	15
Figure 2	Project Summary Schedule	25

Abbreviations

AFY	acre -feet per year
BNR	biological nutrient removal
BOD	Biochemical Oxygen Demand
Carollo	Carollo Engineers, Inc.
CCC	California Coastal Commission
CDFW	California Department of Fish and Wildlife
CPT	Cone Penetration Test
CWSRF	Clean Water State Revolving Fund
DDW	Division of Drinking Water
EACs	estimates and completion
EPA	Environmental Protection Agency
ESCP	Enhanced Source Control Program
EACs	estimates at completion
GMP	Guaranteed Maximum Price
GSI	GSI Water Solutions
IFC	issued for construction
IPR	Indirect Potable Reuse
KPI	Key Performance Indicator
If	linear feet
MBMWC	Morro Bay Mutual Water Company
MBR	Membrane Bioreactor
Narrows	Eastern
NPDES	National Pollution Discharge Elimination System
NTP	notice to proceed
PA	Programmatic Agreement
PCO	Potential Change Order
PPP	Pollution Prevention Plan
Project	Water Reclamation Facility Project
PWAB	Public Works Advisory Board
RFI	Request for Information
RFP	request for proposal
ROW	right of way
RWQCB	Regional Water Quality Control Board
SAA	Stream Bed Alteration Agreement
SHPO	State Historic Preservation Office
SHT	Sludge Holding Tank
SLO	San Luis Obispo

SPI	Schedule Performance Index
TM	Technical Memorandum
TSO	Time Schedule Order
TSS	Total Suspended Solids
UVAOP	Ultraviolet Advanced Oxidation Process
Vistra	Vistra Energy
WIFIA	Water Infrastructure Finance and Innovation Act
WRCB	California State Water Resources Control Board
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. The general progress update and schedule information presented in this report is current as of March 31, 2021.

1.1.1 Water Reclamation Facility

1.1.1.1 Design

The design for the Water Reclamation Facility (WRF) was completed with the delivery of the Issued for Construction (IFC) drawings and specifications for the WRF on May 22, 2020.

1.1.1.2 Construction

Construction at the WRF site began on March 20, 2020. Activities to date include the following major activities which are discussed in detail in Section 8:

- Completion of major earthwork operations
- Installation of a portion of the major yard piping systems:
- Installation of various electrical infrastructure components.
- Construction progress in the following process areas:
 - Headworks
 - Biological Nutrient Removal (BNR)/Membrane Bioreactor (MBR) treatment
 - Reverse Osmosis (RO)/Ultra Violet (UV)-Advanced Oxidation Process (AOP)
 - Product water facilities
 - Residuals sludge processing
 - Chemical storage and feed
 - Operations building
 - Maintenance building
- City yard facilities

Amendment No. 5 for the WRF construction was approved by City Council in March 9, 2021 with the design-build team that included two (2) contract change orders (CCOs). These include changes to the wildlife exclusion barrier required by the Biological Opinion (BO) issued by the United States Fish and Wildlife Service (USFW) and changes to conduit materials throughout various WRF process areas. The net impact of Amendment No. 5 is \$194,954, and is a credit to the City and a reduction to the guaranteed maximum price (GMP).

1.1.2 Conveyance Facilities

1.1.2.1 Design

Water Works Engineers (WWE) submitted the bid set plans and specifications in May 2020 and the City advertised this component of the Project on June 15, 2020.

1.1.2.2 Construction

The City opened bids for the Conveyance Facilities component of the Project on August 14, 2020. The City received a total of five (5) bids. On November 10, 2020, the City Council awarded a contract for the construction of the Conveyance Facilities in the amount of \$31,493,675 to Anvil Builders, Inc. (Anvil).

City staff issued a notice to proceed (NTP) to Anvil on December 14, 2020. During Q3, Anvil began pre-construction activities (e.g., utility locations and tree removal) in late January 2021. Anvil removed 27 trees along the alignment as identified in the plans. Construction activities at both Pump Station A and Pump Station B commenced in Q3. For Pump Station A, activities included the installation of fencing and demolition of the City's consolidated maintenance building located at the existing WWTP site. At Pump Station B, work included the installation of construction fencing around the site and clearing of vegetation on the open lot. Additionally, traffic control measures were implemented for future pipeline work on Quintana Road.

1.1.3 Recycled Water Facilities

1.1.3.1 Design

The City, Program Manager, and the Hydrogeologist consultant, GSI Water Solutions, have completed the design and specifications of the pilot injection well. GSI has submitted the injection well test plan and the geochemical analysis plan for review. Additionally GSI has initiated the documentation for the aquifer storage and recovery (ASR) and is expected to complete in early May.

Table 1 summarizes some of the key accomplishments and critical challenges identified for the Project through March 31, 2021.

Table 1 Project Accomplishments and Challenges

Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Continued to support the review of the City's construction loan application by the Clean Water State Revolving Fund (CWSRF) staff (anticipated signed loan agreement in April 2021)			
	Continued development of the Report of Waste Discharge (ROWD).			
Water Reclamation Facility	Continued advancing construction on the South Bay Boulevard site (construction 41.0 percent complete as of March 31, 2021). Completed all major earthwork operations			
	Completed soil slip physical investigation	Due to the recent rain event, another soil slip has occurred on the WRF site.	The City and Program Manager are working with the design-build team to determine an approach for investigation and remediation of the soil slip.	Responsibility for the cost of the investigation and remediation has not yet been determined and could result in a change order resulting in an increase to the guaranteed maximum price (GMP) and the overall Project budget.
Conveyance Facilities	Received concurrence from State Historic Preservation Office of approach to proceed with construction in areas between the bike path and South Bay Boulevard.	Clearance of CA-SLO-16 cultural resources boundary required to continue construction along the bike path and Lift Station 2 alignment	Far Western to conduct investigation cultural resources boundary required and delineate CA-SLO-16.	If investigation confirms impact to CA-SLO-16, Far Western will develop construction mitigation and monitoring plans.
	Continued pre-construction activities along the pipeline alignment (e.g.. tree removal and utility location). Implemented traffic control plans along Quintana Boulevard and near the roundabout.			
Recycled Water Facilities	Performed pre-installation siting investigation with GSI, Far Western, and KMA.			

1.2 Quarterly Budget Revision

The original \$126 million baseline budget was developed in June 2018 (Q4 Fiscal Year 2017/2018). 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 to facilitate comparison to both the current fiscal year and baseline budgets. A summary of the baseline, reconciled quarterly, and fiscal year budgets is provided in Table 2.

Table 2 Budget Revision Summary

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Past Fiscal Year (Q4 FY 18/19)	Quarterly Reconciliation (Q1 FY 19/20)	Quarterly Reconciliation (Q2 FY 19/20)	Quarterly Reconciliation (Q3 FY 19/20)	Current Fiscal Year (Q4 FY 19/20)	Quarterly Reconciliation (Q1 FY 20/21)	Quarterly Reconciliation (Q2 FY 20/21) ⁽¹⁾	Quarterly Reconciliation (Q3 FY 20/21) ⁽¹⁾⁽²⁾
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000	\$72,598,000	\$72,231,000	\$71,856,000	\$77,828,000	\$77,082,000	\$77,281,977	\$77,087,023
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000	\$28,524,000	\$29,224,000	\$29,989,000	\$29,840,000	\$37,355,000	\$37,482,000	\$37,482,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000	\$5,212,000	\$5,353,000	\$5,526,000	\$5,526,000	\$5,740,000	\$5,968,000	\$5,968,000
General Project	\$24,403,000	\$11,614,000	\$11,801,000	\$11,625,000	\$11,701,000	\$12,964,000	\$13,260,000	\$14,255,000	\$14,445,000	\$14,445,000
Construction Contingency ⁽²⁾	\$9,444,000	\$6,450,000	\$7,132,000	\$7,131,000	\$7,364,000	\$10,264,000	\$4,207,000	\$4,250,000	\$3,414,023	\$3,608,977
Total	\$125,941,000	124,597,000	\$125,938,000	\$125,090,000	\$125,873,000	\$130,599,000	\$130,661,000	\$138,682,000	\$138,591,000	\$138,591,000

Notes:

- (1) Costs shown through Q2 FY 20/21 include the design-build agreement with Filanc/Black & Veatch (Overland), Carollo's Program Management Contract (including subcontracting consultants), and other City consultants. Beginning Q3 FY20/21 this table will reflect updated contract amendments and new adopted budgets.
- (2) Breakdown of the current contingency (\$3,608,977) is as follows: WRF = \$808,977; Conveyance Facilities = \$2,500,000; and Recycled Water Facilities = \$300,000

Section 2

KEY PERFORMANCE MEASURES

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.

Table 3 WRF Project Performance Measures

Performance Measure	Data	Baseline (Q4FY 19/20)	Current (Q3 FY 20/21)	Delta	Status	Ⓞ	Ⓢ	Ⓡ
1: Total Project Costs	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 09/30/20)	\$130.7 M	\$138.59M	\$7.89M	Ⓢ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.1: WRF Costs	On Site WRF Projected Cost at Completion versus the Baseline Budget (budget as of 09/30/20)	\$77.8 M	\$77.1M	\$(0.7)M	Ⓞ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.2: Conveyance Facilities Costs	Conveyance Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 06/30/20)	\$29.8 M	\$37.5M	\$7.7M	Ⓡ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.3: Recycled Water Facilities Costs	Off Site Injection Facilities Projected Cost at Completion versus the Baseline Budget (budget as of 06/30/20)	\$5.5 M	\$5.9M	\$0.4M	Ⓢ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
1.4: General Project Costs	General Project Projected Cost at Completion versus the Baseline Budget (budget as of 06/30/20)	\$13.3 M	\$14.45	\$1.15M	Ⓢ	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget	Estimated cost > 10% above target budget
2: Program Manager Earned Value	Ratio of Program Manager Earned Value to Actual Invoiced Cost-to-Date (as of 09/30/20)	1.00	1.0	0.0	Ⓞ	>= 1.00	0.99 to 0.90	< 0.90
3: Schedule Performance Index	Ratio of Planned Percent Complete to Actual Percent Complete (as of 06/30/20)	1.00	1.07	.07	Ⓞ	>=1.00	0.99 to 0.80	<0.80
4: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (thru 06/30/20)	18,500 lf	0	18,500 LF	Ⓞ	<= 5%	> 5% and <=7.5%	> 7.5%
5: Compliance Date Countdown	Days Remaining to Compliance Date (as of 3/31/21)	789 days	694	95	Ⓢ	<= 365 days	364 days and 180 days	> 179 days

Section 3

PROJECT COSTS

3.1 Project Budget

The overall budget status for the Project is summarized in Table 4. Table 4 provides a summary of total estimated Project costs, including original and current estimated costs for the entire Project..

Table 4 WRF Project Overall Budget Status (thru March 2021)

Summary of Total WRF Project Cost	
Original Baseline WRF Project Budget ⁽¹⁾	\$125,941,000
Adopted FY 20/21 WRF Project Budget ⁽²⁾	\$130,596,361
Estimated Total Project Cost (as of 3/31/21) ⁽³⁾	\$138,591,000
Budget Percent Change (Current versus Fiscal Year)	6.1%
Total Expenditures for FY 20/21 Q3 (1/01/21 to 3/31/21)	\$7,155,993
Total Expenditures to Date (thru 3/31/21 invoices)	\$45,782,993
Percent of Current WRF Project Budget Expended	33.0%

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 near the end of each fiscal year (May) and is used as the basis of performance for the Project for the upcoming fiscal year.
- (3) The Project cost is estimated on a quarterly basis (i.e. September 30th, December 31st, and March 31st) and compared to the adopted current fiscal year budget.

3.2 Quarterly Expenditures by Budget Code

The current quarterly expenditures as reported by the City's corresponding budget performance report and according to adopted City budget code designations are summarized below in Table 5, and further summarized by project component in Table 6.

Table 5 Quarterly Expenditures by Budget Code

City Budget Code ⁽¹⁾	Fund Name	Total Q3 FY20/21 Expenditures	Vendor Name	Project Component
4310	Part-Time Pay			
4999	Labor Cost Applied (Salary)			
4910	Employer Paid Benefits		Summarized below	
4911	Pension Normal Cost			
	Total Personnel Services	9,967.48	City of Morro Bay	General Project
5114	Lab Testing Supplies			
5115	Water Distribution System Supplies		Summarized below	
5199	Supplies & Equipment			
	Total Supplies	1694.16	Various	Water Reclamation Facility
6101	Legal Services – General	11,812.50	Aleshire & Wynder	General Project
6107	Advertising	-	-	-
5307	Blueprint/Copy Charges	-	-	-
6220	Postage (Included in 6710)	72.43	-	General Project
6301	Electricity	-	-	-
6303	Water	4,868.50	City of Morro Bay	Water Reclamation Facility
6510	Meetings & Conferences	-	-	-
6513	Meals & Lodging	-	-	-
6514	Travel Expense	-	-	-
6640	Maintenance Contracts	-	-	-
6710	Notices & Publications	-	-	-
	Total Services	16,753.43	Various	Various
6104	Engineering Services	31,998.06	GSI Water Solutions	Recycled Water Facilities
6105	Consultation Services	44.18	The Ferguson Group	General Project
6106	Contractual Services	587,147.50	Anvil Builders	Conveyance Facilities
6152	Outside Lab Testing	16,262.23	Various	General Project
6161	Licenses & Permits	1,533.00	SLO APCD	Water Reclamation Facility
6195	Rate Study	-	-	-
6196	Program Management & DB Procurement	513,223.08	Carollo Engineers and Subconsultants ⁽²⁾	General Project
6197	Grant Support	-	-	-
6198	Government Relations	-	-	-
6640	Maintenance Contracts	-	-	-
	Total Construction Soft Costs	1,150,208.05	Various	Various
7101	Land Acquisition	-	-	-
7103	Design/Build-On-site Improvement Design Phase	-	-	-
7104	Design-Lift Station/Force Main	112,066.27	Water Works Engineers	Conveyance Facilities
7105	Planning & Permitting	4,466.37	Far Western	Conveyance Facilities
7106	Design-Injection Wells & Recycled Water Pipeline	-	-	-
7107	Design/Build-On-site Improvement Build Phase	5,860,637.06	FBV Overland	Water Reclamation Facility
7108	Injection Well Construction	-	-	-
7109	Lift Station/FM Construction Phase	-	-	-
7110	Pilot Well Construction	-	-	-
	Total Construction Costs	\$5,977,169.70	Various	Various
	Total Quarterly Expenditures	\$7,155,792.82		

Notes:

- (1) Budget codes correspond to the City's adopted budget for current fiscal year and paid invoices correspond with the City's budget performance report for those codes. Opportunities to reallocate invoice codes or consolidate codes will be considered in future quarters.
- (2) Carollo Engineers' active subconsultants include the following: Katz & Associates (public outreach), Underwater Resources, Inc. (outfall analysis), Mimiaga Engineering Group (WRF Construction Management), and Yeh and Associates (geotechnical engineer).
- (3) Total expenditures for this quarter are derived from budget performance reports provided by the City two weeks after end of quarter.

Table 6 Quarterly Expenditures by Project Component

Project Component	Expenditures (Q3 FY 20/21)
Water Reclamation Facility	\$5,867,039
Conveyance Facilities	\$703,680
Recycled Water Facilities	\$33,692
General Project	\$551,382
Total	\$7,155,793

3.3 Project Cash Flow

Figure 1 presents the projected and actual expenditures for the Project through March 2021 compared to the Fiscal Year 2020/2021 budget developed at the end of Q4 Fiscal Year 2019/2020. 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. The cumulative actual and cumulative forecasted expenditures show anticipated project costs over the project duration. The milestone markers correspond to the final completion deadline of the WRF and Conveyance elements of the project by February 2023, which coincides with the City being in compliance with the Time Schedule Order (TSO) issued by the Regional Water Quality Control Board (RWQCB) in June 2018.

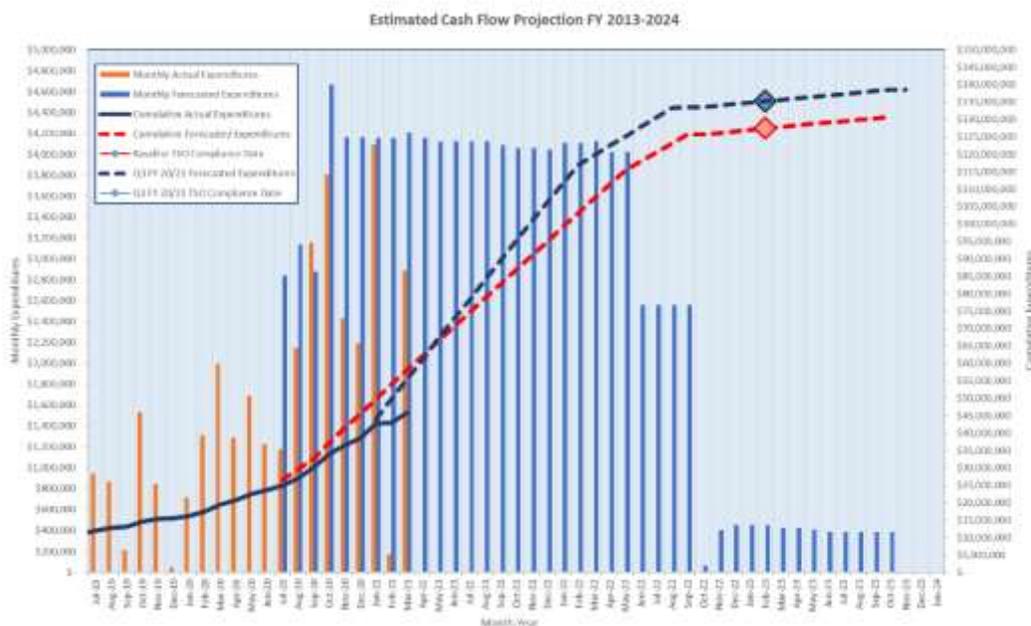


Figure 1 Project Cash Flow Projections and Actual Expenditures

A breakdown of the current Q3 Fiscal Year 2020/2021 budget by fiscal year is included in Table 7.

3.4 Project Cost Summary

Table 8 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 7 WRF Project Cost Fiscal Year Projections

Project Component	Q2 Actual Expenditures to Date	Actual Expenditures to Date ⁽¹⁾	FY 20/21	FY 21/22 ⁽²⁾	FY 22/23	FY 23/24	Q3 FY 20/21 Total Project ⁽²⁾
WRF	\$24,269,179	\$30,136,218	\$16,042,813	\$31,715,194	\$5,254,325	\$-	\$77,087,023
Conveyance Facilities	\$1,919,121	\$2,622,801	\$15,139,745	\$20,423,467	\$-	\$-	\$37,482,000
Recycled Water Facilities	\$479,233	\$512,915	\$1,052,168	\$420,101	\$2,721,667	\$1,295,000	\$5,968,000
General Project	\$11,959,551	\$12,510,933	\$672,268	\$757,519	\$744,894	\$310,372	\$14,445,000
Contingency	\$-	\$-	\$1,255,636	\$1,796,985	\$261,402	\$100,000	\$3,608,977
Total⁽²⁾	\$38,627,074	\$45,782,867	\$34,162,629	\$55,113,266	\$8,982,287	\$1,705,372	\$138,591,000

Notes:

(1) This table reflects activity through Mar 31, 2021 using the quarterly expenditures by project component allocations shown in Table 6.

(2) The next quarterly report (Q4) will reflect the new FY 21/22 WRF Project budget as adopted by City Council as well as future fiscal year budget projections.

Table 8 WRF Project Cost Summary (through March 2021)

Project	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Anticipated Total Project Cost	Cost Expended to Date (%)
WRF	\$30,136,218	\$75,566,870	39.9	\$77,896,000	38.7
Conveyance Facilities	\$2,622,801	\$33,546,062	7.8	\$39,982,000	6.6
Recycled Water Facilities	\$512,915	\$1,038,947	49.4	\$6,268,000	8.2
General Project ⁽²⁾	\$12,510,933	\$7,804,221	56.3 ⁽³⁾	\$14,445,000	54.0
Total	\$45,782,867	\$117,956,100	38.8	\$138,591,000	33.0

Notes:

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

(2) Costs include prior contracts from previous program consultants that are no longer active.

(3) Actual expenditures to date at end of Q2 FY20/21 are \$34,964,000, General Project expenditures to date at end of Q2 FY20/21 are \$8,115,000.

3.5 Detailed Project Costs

The following tables (9-12) show the detailed costs to date for active contracts for each element of the Project.

Table 9 General Project Activities Cost Summary (through March 2021)

Consultant / Contractor	Actual Expenditures to Date ⁽¹⁾	Total Contracted Cost	Contract Expended to Date (%)
ESA	\$412,080	\$412,320	99.9
Far Western	\$275,944	\$282,014	97.8
Bartle Wells Associates	\$65,580	\$100,800	65.1
JoAnn Head Land Surveying	\$97,693	\$102,644	95.2
JSP Automation	\$43,450	\$63,500	68.4
Cogstone	\$-	\$261,918	-
Kevin Merk & Associates	\$-	\$71,310	-
Yeh and Associates	\$-	\$149,360	-
Carollo Engineers, Inc.	\$4,766,559	\$6,360,378	74.9
Total	\$5,661,306	\$7,804,221	72.5

Notes:

- (1) Actual expenditures to date and total contracted cost only includes contracts that are currently active.
- (2) Includes all Carollo subcontractors under Program Management Contract.

Table 10 WRF Cost Summary (through March 2021)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost ⁽¹⁾	Contract Expended to Date (%)
Overland Contracting	\$26,341,026	\$75,566,870	34.86
Total	\$26,341,026	\$75,566,870	34.86

Notes:

- (1) Total Contracted Cost includes final value for Amendment No. 1 through No. 5 of \$1,636,060, \$63,937, \$5,992,217, and \$(194,154) respectively and the original contract value of \$67,234,512.

Table 11 Conveyance Facilities Cost Summary (through March 2021)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
Water Works Engineers (WWE)	\$1,919,121	\$2,052,387	93.5
Anvil Builders	\$587,148	\$31,493,675	1.8
Total	\$2,506,269	\$33,546,062	7.4

Table 12 Recycled Water Facilities Cost Summary (through March 2021)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)
GSI	\$588,796	\$1,038,947	56.7
Total	\$588,796	\$1,038,947	56.7

3.6 Change Orders

The following Amendments have been approved by City Council and have been incorporated into the design-built team's contract and resulted in a revision of the guaranteed maximum price. (GMP). Tables 13 through 17 lists the change orders associated with each Amendment.

- Amendment No. 1 – January 2020
- Amendment No. 2 – Q3 FY 2019/2020
- Amendment No. 3 – May 2020
- Amendment No. 4 – November 2020
- Amendment No. 5 – March 2021

Table 13 Summary of Approved Change Orders (Amendment No. 1)

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 membrane bioreactor (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	Indirect Potable Reuse (IPR) Product Water Tank Bypass	\$(26,087)
Total			\$1,636,060

Table 14 Summary of Approved Change Orders (Amendment No. 2)

Contract	Change Order No.	Description	Value
WRF	65	Davis-Bacon Wage Increases	\$63,937
Total			\$63,937

Table 15 Summary of Approved Change Orders (Amendment No. 3)

Contract	Change Order No.	Description	Value
WRF	16	Modify Outfall Pump Station	\$367,632
WRF	19	Reduce Size of the Product Water Tank	\$(129,681)
WRF	32	Sulfuric Acid System	\$315,652
WRF	37	PLC/SCADA Software Uniformity (MBR, RO, and Headworks Only)	\$201,577
WRF	39	notice to proceed (NTP) Delay	\$1,220,532
WRF	40	Headworks Valve Automation	\$249,946
WRF	41	Perimeter Barbed Wire Fence	\$79,935
WRF	42	UV/AOP System Modifications	\$(33,481)
WRF	44	Tank Access Improvements	\$210,327
WRF	45	Maintenance Ceiling Revisions and Automated Roll-Up Door	\$21,009
WRF	46	Curbed Washdown Areas	\$76,250
WRF	47	Changes to Furnishings and Residential Equipment	\$85,194
WRF	50	Revisions to Water/Sewer Supply Storage Sheds	\$13,142
WRF	52	Analyzer Relocation and Enclosures	\$76,555
WRF	55	Notice of Dispute - PG&E Temporary Power	\$13,163
WRF	56	Impacts of Water Quality Changes	\$282,420
WRF	57	Soil Lateral Earth Pressure	\$116,329
WRF	58	Permanent Exclusion Fencing	\$855,991
WRF	59	Increased Escalation Costs	\$1,232,677
WRF	61	PCO Design Impacts	\$158,172
WRF	62	Conduit Alternative Design	\$(268,400)
WRF	64	Reduce Performance Period	\$(35,450)
WRF	66	Caltrans Intersection Improvements	\$(21,893)
WRF	67	BNR System Modifications	\$742,405
WRF	68	SAFE Equalization Settle Tank Drain Piping	\$62,215
WRF	69	Third Party Inspection and Testing	\$100,000
Total			\$5,992,217

Table 16 Summary of Approved Change Orders (Amendment No. 4)

Contract	Change Order No.	Description	Value
WRF	30	Match Sludge Blowers to MBR Scour Blowers	\$17,426
WRF	71	CDFW Site Access Restrictions	\$254,443
WRF	72	Owner Trailer Utility Hook Ups	\$19,593
WRF	73	Man Gates in Perimeter Fence	\$27,031
WRF	74	Parking Canopy Electrical Receptacles	\$42,346
WRF	75	Security Window at Admin Building	\$11,079
WRF	76	Additional Sodium Bisulfite Pump	\$58,243
WRF	78	Changed Condition - Soil Slip	\$280,013
WRF	79	Modify Water and Collection System Supply Shed	\$10,847
WRF	82	SCADA Uniformity	\$108,887
WRF	86	Water Shut Off Valve in Theresa Road	\$5,189
Total			\$835,097

Table 17 Summary of Approved Change Orders (Amendment No. 5)

Contract	Change Order No.	Description	Value
WRF	84	Alternate Red Legged Frog Barrier (Ref. PCO 58)	\$(467,776)
WRF	87	Modify Alternate Conduit Design Scope (Ref. PCO 62).	\$272,822
Total			\$(194,954)

3.7 Reimbursement from Funding Agencies

In 2017, the City was awarded a \$10.3 million planning loan from the Clean Water State Revolving Fund (CWSRF) program. To date, the City has made three reimbursement requests for the planning loan, which is anticipated to fully exhaust the entire loan amount. In February 2020, the City executed a \$61.7 loan with the Environmental Protection Agency's (EPA's) Water Infrastructure and Innovation Act (WIFIA) program. To date, a total of nine (9) reimbursement requests have been made. A summary of these requests is presented in Table 18.

Table 18 Summary of Reimbursement Requests

Agency	Description	Type	Number	Date	Requested Amount	Approved Amount
WRCB	CWSRF Planning Loan	Loan	01	December 2018	\$289,595	\$217,441
WRCB	CWSRF Planning Loan	Loan	02	November 2019	\$6,431,295	\$5,312,748
WRCB	CWSRF Planning Loan	Loan	03	October 2020 ⁽¹⁾	\$4,783,797	\$-
EPA	WIFIA	Loan	01	May 2020	\$1,100,944	\$1,100,944
EPA	WIFIA	Loan	02	June 2020	\$61,014	\$50,487
EPA	WIFIA	Loan	03	June 2020	\$3,489,409	\$3,489,409
EPA	WIFIA	Loan	04	July 2020	\$2,461,121	\$2,461,121
EPA	WIFIA	Loan	05	August 2020	\$161,636	\$142,863
EPA	WIFIA	Loan	06	October 2020	\$1,635,157	\$1,635,157
EPA	WIFIA	Loan	07	November 2020	\$3,008,623	\$3,008,623
EPA	WIFIA	Loan	08	December 2020	\$3,671,500	\$3,671,550
EPA	WIFIA	Loan	09	January 2020	\$5,553,851	\$5,553,851
Total					\$32,647,942	\$26,644,194

Notes:

(1) Reimbursement No. 3 for the SRF Planning Loan was originally submitted in December 2019 and was resubmitted in October 2020.

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 March 2021. 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 19 are the milestones in the TSO.

Table 19 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 ⁽¹⁾	-
Award of Contract for Construction of Conveyance Facilities	November 30, 2019	-	November 10, 2020
Completion of WRF Improvements with Completion Report	December 30, 2022	July 05, 2022	-
Full compliance with final effluent limitations	February 29, 2023	July 05, 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 (EHSP) 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.

Table 20 lists an expanded milestone schedule has also been developed for outstanding Project activities.

Table 20 Expanded Milestone Schedule

Milestone	Baseline Schedule due Date	Planned Completion Date
<u>General Project</u>		
Compliance with the TSO ⁽¹⁾	November 11, 2021	July 05, 2022
<u>Water Reclamation Facility</u>		
Begin Construction	August 08, 2019	March 20, 2020 (Actual)
Deliver 90 Percent Design	October 24, 2019	March 31, 2020 (Actual)
Substantial Completion	November 11, 2021	July 05, 2022
Final Completion	June 09, 2022	August 30, 2022
<u>Conveyance Facilities</u>		
Deliver 90 Percent Design	October 15, 2019	February 10, 2020 (Actual)
Deliver 100 Percent Design	December 17, 2019	June 15, 2020 (Actual)
Bid Advertisement	February 21, 2020	June 16, 2020 (Actual)
Award Construction Contract	May 08, 2020	November 10, 2020 (Actual)
Substantial Completion	September 17, 2021	March 01, 2022
Final Completion	November 19, 2021	April 15, 2022
<u>Recycled Water Facilities</u>		
Select Preferred Injection Area	May 28, 2019	June 17, 2020 (Actual)
Deliver 30 Percent Design	August 04, 2020	December 22, 2021
Deliver 60 Percent Design	November 10, 2020	March 30, 2022
Deliver 90 Percent Design	February 16, 2021	June 15, 2022
Deliver 100 Percent Design	April 27, 2021	September 14, 2022
Award Construction Contract	July 21, 2021	December 07, 2022
Substantial Completion	April 21, 2022	November 11, 2023
Final Completion	June 21, 2022	December 06, 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 Q3 Fiscal Year 2020/2021. A summary of the existing design contracts is included in Table 21 below.

Table 21 Procurement Status (through March 2021)

Project Name	Current Contract Amount	Amount Expended	30%	60%	90%	100%	Final
WRF	\$76,566,870	\$27,730,911	✓	✓	✓	✓	NA
Conveyance Facilities	\$2,045,395	\$1,960,574	✓	✓	✓	✓	✓
Recycled Water Facilities	\$0	\$0					

5.2 Procurement

No design or design-build contract procurements were performed in Q3 FY 2020/2021. Table 22 presents a summary of the procurement activity for the Project.

Table 22 Procurement Status (through March 2021)

Project Name	Circulate Request for Proposals	Proposal Opening Date	Council Award Date	Notice to Proceed Date	Consultant
WRF	January 24, 2018	May 8, 2018	October 23, 2018	November 01, 2018	Overland Contracting (Filanc-Black & Veatch)
Conveyance Facilities	January 31, 2017	March 8, 2017	November 14, 2017	November 15, 2017	Water Works Engineers
Recycled Water Facilities	Design Engineer to be Selected in FY 2021/22				

Section 6

CONSTRUCTION STATUS

6.1 Construction Summary

During Q3 Fiscal Year 2020/2021, construction continued for the WRF and commenced for the Conveyance Facilities. Table 23 presents a summary of project construction progress and costs through March 31, 2021.

Table 23 Project Construction Costs

Project Name	Amount Expended	Initial Contract Amount	Current Contract Amount	% Change in Contract Amount
WRF	\$26,341,026	\$67,234,512	\$75,566,870	12.4
Conveyance Facilities	\$587,148	\$31,493,675	\$31,493,675	0.0
Recycled Water Facilities	\$-	\$-	\$-	0.0
Construction Total	\$26,928,174	\$98,728,187	\$107,060,545	8.6

6.2 Upcoming Traffic Control

6.2.1 Planned Impacted Areas

Construction activities for the Conveyance Facilities began in 2021 in several work zones. Starting in late February 2021, the following areas will be impacted for duration of Q3 Fiscal Year 2020/2021:

- Quintana Boulevard from La Loma Avenue to South Bay Boulevard.
- Quintana from Main Street to Morro Bay Boulevard.
- Lift Station A site at existing WWTP.
- Lift Station B location near Highway 1 and Main Street.
- Certain areas along the bike path (for vegetation clearing and grubbing.)

6.2.2 Hours of Planned Lane/Road Closures

Based on Anvil's baseline schedule, construction began on the section of Quintana Boulevard between La Loma Avenue and South Bay Boulevard in February 2021. This segment of Quintana Boulevard will be completely closed to through traffic 24 hours per day with no pedestrian access between early February 2021 and the middle of May 2021. Hard road closures will be established at La Loma Avenue and north of the entrance to Benedict-Retty Mortuary and Crematorium. A soft road closure will be established at South Bay Boulevard and allow local traffic only to the church, mortuary, Black Hills Villas, and Blue Heron Terrace Mobile Home Park. These residences and businesses will only be accessible from South Bay Boulevard during the closure. ***The information provided above was current as of March 31, 2021. The Q4 report will provide an update.***

The community is encouraged to obtain additional information on current road closures/conditions from the WRF website (www.morrobaywrf.com) or by calling the Project hotline at 877-MORROBAYH2O.

6.3 Construction Safety

The Project safety goal is zero reportable incidents. There has been a total of zero reported incidents through March 31, 2021.

Section 7

OTHER PROGRAM ACTIVITIES

7.1 Public Outreach

As the City prepares for construction of the Conveyance Facilities component of the Project, the Program Manager has been engaged in a number of public outreach activities including the following:

- Updated the WRF website with regular construction information on homepage and Construction Information page
- Built out Business Information web page, including structure for monthly virtual community meetings, meeting materials and business informational resources
- Finalized and distributed construction notices for start of construction
- Developed project signage templates for use by contractor
- Coordinated with contractor for distribution of bilingual doorhangers on immediately impacted residences and businesses in area of Main Street and Quintana Road
- Continued to build stakeholder database email list for regular email correspondence
- Developed bi-weekly e-blasts to highlight construction schedule look-ahead information and promote virtual community outreach meetings
- Reviewed talking points regarding construction site theft
- Prepared for and conducted two monthly virtual community outreach meetings via Zoom
- Responded to regular community inquiries from project phone line and email address, and coordinated with team members when necessary

Additional near-term public outreach activities include:

- Developing bi-weekly e-blasts and as-needed construction notices to convey construction look-ahead information to stakeholders and the public
- Planning monthly virtual “office hours” for the community
- Working with contractor to distribute doorhangers to properties with proper lead-time

7.2 Permitting Activities

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

- Regional Water Quality Control Board
 - In order to obtain a National Pollution Discharge Elimination System (NPDES), the City must submit a ROWD to the RWQCB. The Program Manager began development of the Draft ROWD in January 2021 and is scheduled to deliver the Final Draft in May 2021.
- Division of Drinking Water:
 - The Title 22 Engineering Report is required by Division of Drinking Water (DDW) before the City can receive a potable reuse permit. The Program Manager delivered

an initial Draft of the Title 22 Engineering Report to the City for review in June 2020. The revised draft, including comments from City staff, was submitted to DDW in July 2020. During Q3 Fiscal Year 2020/2021, the City and Program Manager have received comments from DDW and has had several meetings to review their comments.

- The City is working with DDW to obtain a variance from their typical pipeline separation requirements due to the width of the trench for the Conveyance Facilities pipelines and the limited right of way (ROW) for much of the alignment. The City has been coordinating with DDW on this issue since early 2019 and submitted a formal application to DDW in August 2020. Since that time, the City has had a meeting to review the information provided and has provided supplemental information to aid DDW's review. As of March 2021, The City has addressed the majority of DDW's comments and has begun the preliminary development of a monitoring and mitigation plan for the pipeline.
- Caltrans:
 - The City obtained the encroachment permit from Caltrans for construction of the Conveyance Facilities pipelines in August 2020.
- California Department of Fish and Wildlife:
 - The City must have a SAA (as required) from the CDFW before work can begin along certain segments on the bike path for the Conveyance Facilities component of the Project. The City submitted the revised notification in January 2020 and plans to obtain the Draft SAA (as required) in April 2021.
- State Historic Preservation Office:
 - The Programmatic Agreement (PA) negotiated with the SHPO requires that a mitigation and monitoring plan be developed for each element of the project (i.e., WRF, pipelines, and injection wells). The City submitted the mitigation and monitoring plan to EPA for distribution to SHPO in October 2020. The City has received notification from the EPA regarding SHPO's response on March 15th, 2021. The response stated that the City may proceed with construction by implementing the appropriate cultural resources monitoring and mitigation measures for areas along Main St., Quintana road and both lift stations. The City will need to perform additional archeological investigation for areas along the bike path and the lift station 2 alignment.

7.3 Funding Status

- Continued to support CWSRF's technical, legal, and financial reviews. The City anticipates signing a loan agreement with CWSRF during Q4 of FY 2021.
- The United States Department of the Interior Bureau of Reclamation released its WaterSmart Title XVI WIIN Notice of Funding Opportunity in mid-March 2021. The City is actively pursuing grant funding from this program and is preparing an application which is due on April 23rd, 2021.

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 early 2022.

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 an MBR and have the ability to exceed the anticipated discharge requirements for the City's new NPDES permit. The advanced treatment facilities include RO and UV-AOP. 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 has continued to progress the construction of the WRF and is on track to reach substantial completion in July 2022. The construction has completed the following items:

Sitework

- Completed filling, compacting, and rough grading the area.
- Completed major earthwork operations in the north portion of site including completing the west fill-slope embankment (adjacent to Canyon Fill area) and completing the north cut-slope near the Vactor Receiving Station.
- Completed excavation of the North Storm Water Basin (adjacent to Maintenance Building).
- Completed installation of the following major yard piping systems:
 - 18" and 14" WWR lines to Headworks (raw sewage influent lines) – completed.
 - RAS piping between MBR system and the BNR basin - completed.
 - WWS piping between SAFE Diversion Box and SAFE Settle Tank - completed.
 - RO/UV system piping including: ROP, ROF, OUVE, ROC, UVE - completed.
 - IPR/ Outfall Pump Station underslab and adjacent piping.
 - Storm Drainage piping, manholes, and storm water basin.
 - Sanitary Sewer collection lines, laterals, and manholes (on site system).
 - Sanitary Sewer Force Main to Headworks discharge location.
 - 18", 6" FPW lines and Hydrants (Fire Water from existing City water system).
 - Other yard piping, branch lines, and ancillary systems.
 - Electrical Subcontractor continues to install conduits, vaults, and other installations.

Headworks

- Headworks process equipment skid by Kusters-Zima Water (Course Screen and Grit Removal) delivered and is being stored on site (north site near Headworks).

BNR/MBR Treatment

- Completed leak testing and backfilling of the BNR water bearing basin.
- Installed and encased RAS and Scum under-slab piping at MBR area.
- Installed and encased Mix Liquor (ML) under-slab piping at MBR area.

RO/UV-AOP

- Completed building slab forming, rebar, in-slab conduits, and concrete placement. Concrete equipment pads at building interior have also been completed.

Product Water Facilities

- Completed Calcite Treatment Facility slab, including concrete placement.
- Completed IPR/Outfall Pump Station slab, including concrete placement.
- Completed Water Storage Tank ring slab and began steel tank erection.
- Completed forming and rebar installation for Balancing Tank slab (concrete next).

Residuals/Sludge Processing

- Contractor has completed leak testing and backfilling of the Sludge Holding Tank (SHT).

Chemical Storage and Feed

- Contractor has excavated and compacted subgrade, started installing rebar and in-slab conduits, and is preparing for concrete placement of lower containment area slab.

Operations Building

- Completed concrete placement of structural slab-on-grade.
- Completed grinding and polishing the Operations Building concrete finished floor.
- Taken delivery of Pre-Engineered Metal Building components. Subcontractor has completed erection of building main structural steel framing.
- Subcontractor has completed the CMU wainscot walls and exterior CMU patio walls.

Maintenance Building

- Completed concrete placement of structural slab-on-grade.
- Taken delivery of Pre-Engineered Metal Building components.
- Subcontractor has begun erection of main structural steel framing.

City Yard Facilities

- Completed concrete placement for Water/Collections Storage Shed slab-on-grade.
- Completed concrete placement for Outdoor Storage Aisles canopy column footings.
- Completed concrete slab and CMU walls for the vehicle Wash Rack structure.
- Excavated and started installing rebar for WRF Parking Canopy column footings

8.1.4 Project Challenges

In late January 2021, following heavy rains (January 27 and 28, 2021), the previously mitigated soil slip reactivated and continues to move. As of the issuance of this report the project Geotechnical Engineering of Record has excavated and logged several test pits and prescribed and undertaken four 30-inch diameter auger-bucket boreholes and has entered/logged the boreholes. The DB Team has provided field data for City review, but the geotechnical engineer has not yet provided its recommendation for the landslide remediation.

The City has completed negotiations with the design-build team of Amendment No. 5 which was approved by City Council on March 9, 2021 and resulted in a credit to the City and reduction to the GMP.

Table 24 WRF Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾⁽²⁾	\$67.2M	\$75.6M	●
Construction Contingency ⁽³⁾⁽⁴⁾	\$9.1M	\$0.6M	●

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, >50% of target=Red).
- (4) The Program Manager initially allocated \$6.2 million for contingency for the WRF component of the project. During Q3 Fiscal Year 2019/2020, an additional \$2.9 million in contingency was added to the budget to cover Amendment No. 3. With execution of Amendment No. 1, 2, 3, and 4 \$8.5 million has been moved from contingency to the GMP leaving \$0.6 million in contingency.

Table 25 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 (Design)	November 05, 2018	
Notice to Proceed (Construction)	March 20, 2020	
Original Final Completion Date	August 23, 2021	
Original Duration (Non-Working Days)	886	
Days Changed by Change Order	8	
Actual Final Completion Date (including Non-Working Days)	August 31, 2022	
Schedule Percent Complete	32.0% (286 days / 894 days)	
Budget		
Engineer's Estimate (Construction Cost + 10% Construction Contingency)	\$73,475,845	
Award Amount (including Design Cost)	\$67,234,512	
Change Order Total	\$8,332,358	
Current Contract Value	\$75,566,870	
Percent Change	12.4%	
Work Completed		
Actual Cost -to-Date	\$26,341,026	
Percent Complete (Percent Expended)	34.9%	
Construction Oversight Statistics		
	PCOs	COs
Total Received	96	N/A
Total Approved	N/A	57 ⁽¹⁾
Total Pending	9	0
Average Turnaround (calendar days)	N/A	N/A

Acronym List:

PCO – Proposed Change Order; CO – Change Order

- (1) 57 PCOs have been approved and are reflected in Amendment No. 1, 2, 3, and 4 to the design-build agreement.

8.2 Conveyance Facilities

8.2.1 Designer

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

8.2.2 Contractor

The City awarded a contract to Anvil for construction of the Conveyance Facilities component of the Project on November 10, 2020. A construction NTP was issued on December 14, 2020 and Anvil began construction in January of 2021.

8.2.3 Project Scope

The Conveyance Facilities include the design of approximately 3.5 miles of pipelines and two (2) lift stations. The pipelines include two raw wastewater force mains, a wet weather/brine discharge force main, and a potable reuse pipeline to the west injection area.

8.2.4 Current Progress

Anvil continued pre-construction activities for portions of the Conveyance Facilities and began construction in January of 2021. The following pre-construction activities were completed in Q3 FY 20/21:

- Mobilization of major pieces of equipment and construction material.
- Construction material submittal and review with Waterworks Engineers.
- Pot-holing existing utility verification along the pipeline alignment.
- Clearing and grubbing trees and vegetation 3.
- Approval of traffic control plans through the City.
- Installing traffic control measures along Quintana Road.
- Delineation and installation of environmentally sensitive area (ESA) fencing to delineate cultural resources.
- Demolition of the existing maintenance building at the City's existing corporation yard to facilitate construction of Pump Station A.

8.2.5 Upcoming Activities

Anvil is scheduled to complete the following activities during Q4 FY 20/21:

- Installation of pipelines in Quintana Avenue between La Loma Avenue and South Bay Boulevard.
- Installation of pipelines in Main Street to Quintana Road.
- Shoring installation for Pump Station A and B excavation.
- Begin construction of Pump Station A.
- Begin construction of Pump Station B.

The information provided above was current as of March 31, 2021. The Q4 report will provide an update.

8.2.6 Project Challenges

The conveyance facilities project must undergo consultation by government agencies associated with the impacted project resources. The project underwent consultation by SHPO to review the potential impact on cultural resources from the conveyance facilities construction activities. Due to an extension of the standard review time provided to SHPO by EPA, project construction was delayed by 35 days. After SHPO’s review period the contractor received notification on March 15, 2021 that they may proceed with construction in areas outlined in the PA. The City and Program Team are still coordinating with the EPA, SHPO, and Far Western to proceed with developing a cultural resource monitoring and mitigation plan for the remaining components of the conveyance facilities project.

The City and Program Manager are focused on keeping the community informed of construction activities and will continue to use print media and the WRF website to present the most up to date information. As construction begins on the first segments of the pipeline, the City, Program Manager, and Anvil will continuously improve its approach for future segments of pipeline construction. The Project team is committed to implementing these lessons learned with the goal of minimizing impacts to the City’s residents, businesses, and visitors.

Table 26 Conveyance Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	\$24.2M	\$31.5M	
Construction Contingency ⁽²⁾	\$2.5M	\$0.0M	
Number of Feet of Pipelines Constructed ⁽²⁾	18,500 lf	0 lf	
Number of Days of Full Road Closures ⁽¹⁾	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 27 Conveyance Facilities Summary

Schedule	
Request for Bid / Bid Advertisement	June 15, 2020
Bid Opening Date	August 14, 2020
Contract Award / Council Award Date	November 10, 2020
Notice to Proceed for Construction	December 14, 2020
Original Final Completion Date	NA
Original Duration (Non-Working Days)	435
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)	\$26,657,000			
Award Amount	\$31,493,675			
Change Order Total	\$0			
Current Contract Value	\$31,493,675			
Percent Change	0%			
Work Completed				
Actual Cost -to-Date	\$1,766,551			
Percent Complete (Percent Expended)	5.61%			
Length of Pipe Installed (actual to date / planned total)	0 lf / 18,500 lf			
Construction Management Statistics				
	RFIs	Submittals	PCOs	COs
Total Received	37	146	2	0
Total Responded To	30	126	0	0
Total Pending	7	20	0	0
Average Turnaround (calendar days)	NA	NA	N/A	N/A

Acronym List:
 RFI – Request for Information; PCO – Proposed Change Order; CO – Change Order

8.3 Recycled Water Facilities

8.3.1 Designer

Procurement activities for the final design of the Recycled Water Facilities have not yet begun. The Program Manager also anticipates beginning preliminary design in early 2021 along with the pilot injection testing. Phase 1 and Phase 2 of the hydrogeological work has been completed by GSI and work on Phase 3 (i.e., pilot injection testing) will be completed in June 2021.

8.3.2 Contractor

This element of the Project is being delivered via a conventional design-bid-build procurement process. The Recycled Water Facilities will begin construction in late 2022/early 2023.

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 the west injection site.

8.3.4 Current Progress

GSI has completed Phase 1 and is currently working on Phase 2 of the hydrogeological work, which has culminated in the selection of the west injection area and preliminary siting of the injection wells.

8.3.5 Upcoming Activities

The next phase of hydrogeological work is pilot injection testing, which consists of the following elements:

- Design of the pilot injection well (Completed February 2021).
- Permitting for installation of the pilot injection well (March 2021 ongoing).
- Construction of the pilot injection well (Anticipated June 2021).
- Conducting pilot testing (Anticipated June to July 2021).

8.3.6 Project Challenges

At the moment, this portion of the project will also need to be cleared by SHPO prior to any ground disturbing activities to confirm that the installation of the pilot and final injection wells will not negatively impact any cultural resources if present.

Table 28 Recycled Water Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	TBD	\$0.0M	
Construction Contingency ⁽²⁾	\$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 29 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	
Total Received	0	0	0	0	
Total Responded to	0	0	0	0	
Total Pending	0	0	0	0	
Average Turnaround (calendar days)	NA	NA	N/A	N/A	

Acronym List:

RFI – Request for Information; PCO – Proposed Change Order; CO – Change Order

Citizen's Finance Advisory Committee

Water Reclamation Facility

WRF Quarterly Report – Q3 2021

May 18, 2021

MORRO BAY

OUR WATER

RELIABLE. CLEAN. FOR LIFE.

Recommendation

- Receive the WRF Quarterly Update Report for Q3 2021 and provide input.

Quarterly Report Overview – Q3 2021

Summary of project status

- Current project estimate exceeds the baseline budget
 - \$138,591,000 vs. \$125,941,000
 - Current project estimate unchanged as of Q3 2021
- Overall Project is on schedule
 - TSO Compliance – February 28, 2023
 - Substantial Completion – July 5, 2022 (238 days prior to deadline)

Q3 Budget Revision Summary

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Past Fiscal Year (Q4 FY 18/19)	Quarterly Reconciliation (Q1 FY 19/20)	Quarterly Reconciliation (Q2 FY 19/20)	Quarterly Reconciliation (Q3 FY 19/20)	Current Fiscal Year (Q4 FY 19/20)	Quarterly Reconciliation (Q1 FY 20/21)	Quarterly Reconciliation (Q2 FY 20/21) ⁽¹⁾	Quarterly Reconciliation (Q3 FY 20/21) ⁽¹⁾⁽²⁾
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000	\$72,598,000	\$72,231,000	\$71,856,000	\$77,828,000	\$77,082,000	\$77,281,977	\$77,087,023
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000	\$28,524,000	\$29,224,000	\$29,989,000	\$29,840,000	\$37,355,000	\$37,482,000	\$37,482,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000	\$5,212,000	\$5,353,000	\$5,526,000	\$5,526,000	\$5,740,000	\$5,968,000	\$5,968,000
General Project	\$24,403,000	\$11,614,000	\$11,801,000	\$11,625,000	\$11,701,000	\$12,964,000	\$13,260,000	\$14,255,000	\$14,445,000	\$14,445,000
Construction Contingency ⁽²⁾	\$9,444,000	\$6,450,000	\$7,132,000	\$7,131,000	\$7,364,000	\$10,264,000	\$4,207,000	\$4,250,000	\$3,414,023	\$3,608,977
Total	\$125,941,000	124,597,000	\$125,938,000	\$125,090,000	\$125,873,000	\$130,599,000	\$130,661,000	\$138,682,000	\$138,591,000	\$138,591,000

Amendment No. 5 resulted in a net credit of \$194K, which was transferred to contingency.

Q3 Expenditures to date

Project	Q2 Actual Expenditures to Date	Q3 Actual Expenditures	Q3 Actual Expenditures to Date	Anticipated Total Project Cost
WRF	\$24,269,179	\$5,867,039	\$30,136,218	\$77,896,000
Conveyance Facilities	\$1,919,121	\$703,680	\$2,622,801	\$39,982,000
Recycled Water Facilities	\$479,223	\$33,692	\$512,915	\$6,268,000
General Project	\$11,959,551	\$551,382	\$12,510,933	\$14,445,000
Total	\$38,627,074	\$7,155,793	\$45,782,867	\$138,591,000

Program / City Budget Crosswalk

WRF Program Budget Tracking

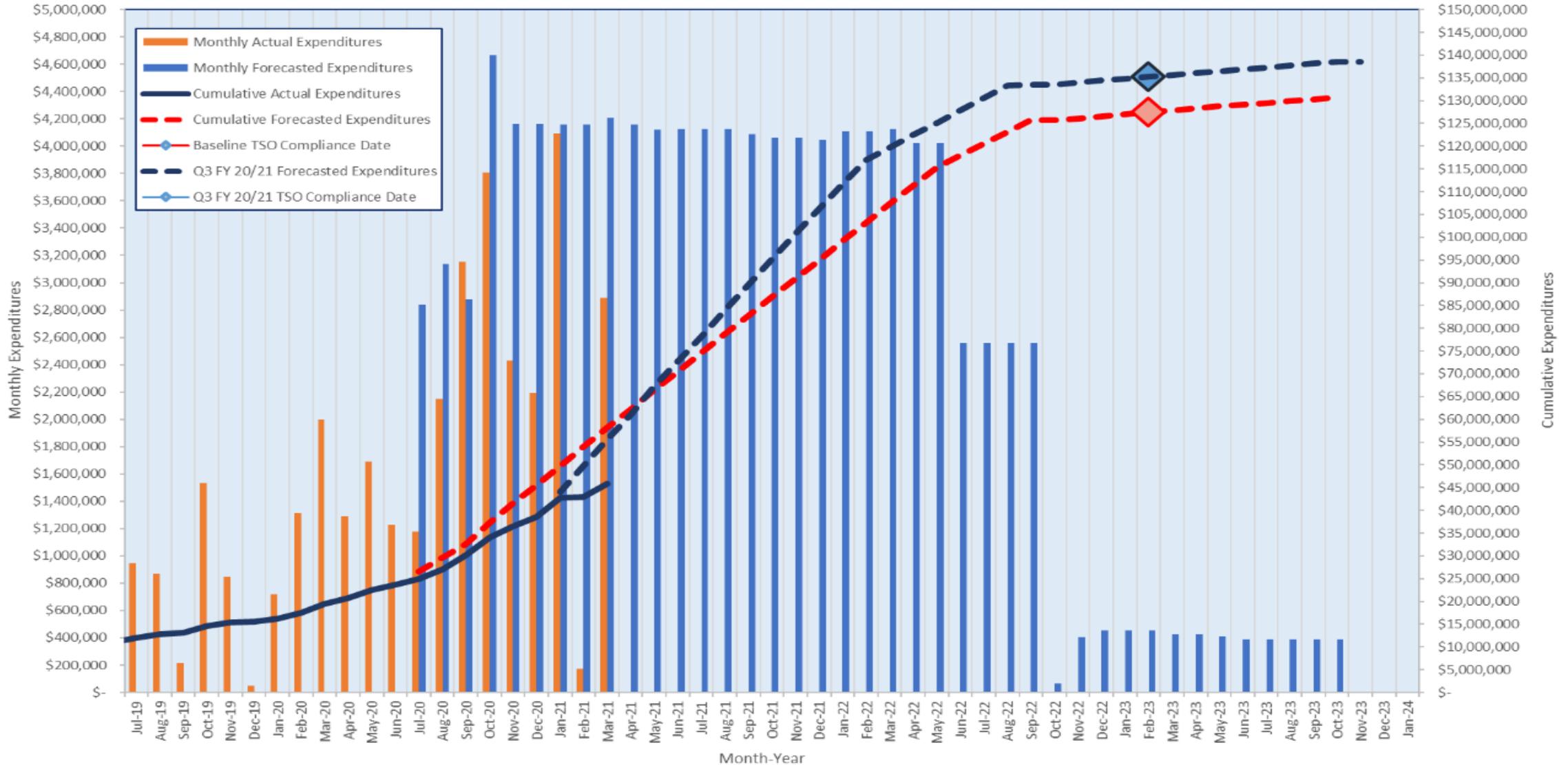
Project Component	Expenditures (Q3 FY 20/21)
Water Reclamation Facility	\$5,867,039
Conveyance Facilities	\$703,680
Recycled Water Facilities	\$33,692
General Project	\$551,382
Total	\$7,155,793

City Budget Tracking

City Budget Code ⁽¹⁾	Fund Name	Total Q3 FY20/21 Expenditures	Vendor Name	Project Component
4310	Part-Time Pay			
4999	Labor Cost Applied (Salary)			
4910	Employer Paid Benefits			
4911	Pension Normal Cost			
	Total Personnel Services	9,967.48	City of Morro Bay	General Project
5114	Lab Testing Supplies			
5115	Water Distribution System Supplies			
5199	Supplies & Equipment			
	Total Supplies	1694.16	Various	Water Reclamation Facility
6101	Legal Services – General	11,812.50	Aleshire & Wynder	General Project
6107	Advertising	-	-	-
5307	Blueprint/Copy Charges	-	-	-
6220	Postage (Included in 6710)	72.43	-	General Project
6301	Electricity	-	-	-
6303	Water	4,868.50	City of Morro Bay	Water Reclamation Facility
6510	Meetings & Conferences	-	-	-
6513	Meals & Lodging	-	-	-
6514	Travel Expense	-	-	-
6640	Maintenance Contracts	-	-	-
6710	Notices & Publications	-	-	-
	Total Services	16,753.43	Various	Various
6104	Engineering Services	31,998.06	GSI Water Solutions	Recycled Water Facilities
6105	Consultation Services	44.18	The Ferguson Group	General Project
6106	Contractual Services	587,147.50	Anvil Builders	Conveyance Facilities
6152	Outside Lab Testing	16,262.23	Various	General Project
6161	Licenses & Permits	1,533.00	SLO APCD	Water Reclamation Facility
6195	Rate Study	-	-	-
6196	Program Management & DB Procurement	513,223.08	Carollo Engineers and Subconsultants ⁽²⁾	General Project
6197	Grant Support	-	-	-
6198	Government Relations	-	-	-
6640	Maintenance Contracts	-	-	-
	Total Construction Soft Costs	1,150,208.05	Various	Various
7101	Land Acquisition	-	-	-
7103	Design/Build-On-site Improvement Design Phase	-	-	-
7104	Design-Lift Station/Force Main	112,066.27	Water Works Engineers	Conveyance Facilities
7105	Planning & Permitting	4,466.37	Far Western	Conveyance Facilities
7106	Design-Injection Wells & Recycled Water Pipeline	-	-	-
7107	Design/Build-On-site Improvement Build Phase	5,860,637.06	FBV Overland	Water Reclamation Facility
7108	Injection Well Construction	-	-	-
7109	Lift Station/FM Construction Phase	-	-	-
7110	Pilot Well Construction	-	-	-
	Total Construction Costs	\$5,977,169.70	Various	Various
	Total Quarterly Expenditures	\$7,155,792.82		

Current vs. planned expenditures

Estimated Cash Flow Projection FY 2013-2024



Milestone schedule overview

Milestone	Baseline Schedule due Date	Planned Completion Date
<u>General Project</u>		
Compliance with the TSO ⁽¹⁾	November 11, 2021	July 05, 2022
<u>Water Reclamation Facility</u>		
Begin Construction	August 08, 2019	March 20, 2020 (Actual)
Deliver 90 Percent Design	October 24, 2019	March 31, 2020 (Actual)
Substantial Completion	November 11, 2021	July 05, 2022
Final Completion	June 09, 2022	August 30, 2022
<u>Conveyance Facilities</u>		
Deliver 90 Percent Design	October 15, 2019	February 10, 2020 (Actual)
Deliver 100 Percent Design	December 17, 2019	June 15, 2020 (Actual)
Bid Advertisement	February 21, 2020	June 16, 2020 (Actual)
Award Construction Contract	May 08, 2020	November 10, 2020 (Actual)
Substantial Completion	September 17, 2021	March 01, 2022
Final Completion	November 19, 2021	April 15, 2022
<u>Recycled Water Facilities</u>		
Select Preferred Injection Area	May 28, 2019	June 17, 2020 (Actual)
Deliver 30 Percent Design	August 04, 2020	December 22, 2021
Deliver 60 Percent Design	November 10, 2020	March 30, 2022
Deliver 90 Percent Design	February 16, 2021	June 15, 2022
Deliver 100 Percent Design	April 27, 2021	September 14, 2022
Award Construction Contract	July 21, 2021	December 07, 2022
Substantial Completion	April 21, 2022	November 11, 2023
Final Completion	June 21, 2022	December 06, 2023

Notes:

(1) The TSO requires compliance with full secondary treatment | 2021-05-18 CFAC Meeting - Page 117 of 122

Looking ahead to Q4

- Carollo provided City with FY 21/22 WRF budget placeholders using “bottom-up” approach
 - Construction spending
 - Program management costs
 - Carollo and subcontractors
 - Direct City program contractors
- New anticipated program total budget: \$144,726,000
- Increase of \$6,135,000 from Q3 quarterly reconciliation

Project Component	Quarterly Reconciliation (Q3 FY 20/21)	Quarterly Reconciliation (Q4 FY 20/21)
Water Reclamation Facility	\$77,087,023	\$77,687,023
Conveyance Facilities	\$37,482,000	\$37,982,000
Recycled Water Facilities	\$5,968,000	\$6,668,000
General Project	\$14,445,000	\$15,445,000
Construction Contingency	\$3,608,977	\$6,943,977
Total	\$138,591,000	\$144,726,000

Looking ahead to Q4

- Summary of budget increase:
 - WRF (plant) amendments: \$600K
 - Conveyance archeological: \$500K
 - Program management: \$1M
 - Recycled water facilities: \$700K
 - Additional construction contingency \$3.4M

Item	Amount
Water Reclamation Facility pending amendments	\$600,000
<ul style="list-style-type: none"> • PCO 70: Covid-19 costs • PCO 88: Dead-front control panels • PCO 89: SCADA managed IPR off-spec diversion • PCO 90: 24Vdc digital output circuits • PCO 91: Standardize equipment color • PCO 92: Differing site conditions (soil slip #2 investigations to-date) • PCO 93: NEMA 4X electrical enclosures • PCO 94: Security system revisions • PCO 95: <u>1.5 acre</u> riparian enhancement plan (partial funding from Environmental Allowance) • PCO 96: January 2021 storm event (1-26 thru 1-29) • PCO 97: Hydroseeding soil amendment & coverage limits • PCO 98: Additional materials testing and inspection 	
Conveyance increased archeological costs	\$500,000
<ul style="list-style-type: none"> • Archeological investigation and impact mitigation plan for conveyance construction through archeologically/culturally sensitive portion of conveyance. (Far Western) • Additional \$200,000 for this effort included under construction contingency below. 	
Increased Program Management costs	\$1,000,000
<i>Amount represents costs above anticipated FY 21/22 Program Management budget and includes Carollo Engineers and all Program Management subcontractors.</i>	
<ul style="list-style-type: none"> • Additional construction management oversight due to Anvil schedule acceleration • Additional public outreach due to Anvil schedule acceleration • Additional permitting support for EPA/SHPO related to conveyance and wellfield archeological impact mitigation • Additional technical support for Title 22 and pre-treatment permitting/ordinances • Additional funding compliance support (Title XVI applications, SRF construction loan requirements/payment requests, and City/agency coordination.) 	
Additional hydrogeological, permitting, and design work for recycled water facilities	\$700,000
<ul style="list-style-type: none"> • Additional technical investigation, design and permitting work for IPR injection wells 	
Construction contingency increase	\$3,400,000
<ul style="list-style-type: none"> • Additional Water Reclamation Facility amendments due to PCOs (\$400K) • Water Reclamation Facility soil slip #2 additional investigation and mitigation design (\$300K) • Water Reclamation Facility soil slip # 2 mitigation (\$1M) • Additional conveyance amendments (\$500K) • Conveyance stop work change order (\$500K) • Additional archeological costs (conveyance) (\$200K) • Land acquisition for injection wells (\$500K) 	
Total Adjustment (rounded)	\$6,200,000

Questions and Discussion

MORRO BAY
OUR WATER
RELIABLE. CLEAN. FOR LIFE.



AGENDA NO: B-5

MEETING DATE: May 18, 2021

Staff Report

TO: Chairman and Committee Members

DATE: May 13, 2021

FROM: Katie Lichtig, Interim Finance Director

SUBJECT: Third Quarter Investment Report (period ending March 31, 2021) for Fiscal Year (FY) 2020/21

RECOMMENDATION

Receive the attached Third Quarter Investment Report (period ending March 31, 2021) for FY 2020/21.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached for your consideration is the Third Quarter Investment Report for FY 2020/21.

As of March 31, 2021, the City's weighted portfolio yield of 0.454% was slightly above the Local Agency Investment Fund (LAIF) yield of 0.41%.

Staff continues to keep significant cash in the City's LAIF account to ensure cash flow for the ongoing Water Reclamation Facility (WRF) project. Reimbursement has been received from the State Revolving Fund (SRF) planning loan. Staff have also been regularly submitting reimbursement requests for the WIFIA loan, ten requisitions have been disbursed thus far. While the picture looks promising for investing additional cash in higher yield instruments, staff recommends that no immediate actions be taken for two reasons. First, additional liquidity is likely required after the next round of SRF loan(s) are secured and reimbursements are sought from the State of California. Historically the State takes a minimum of two months to process reimbursement requests before disbursement is made to the City. A representative of the SRF program has indicated that this process has slowed due to COVID-19. Secondly, it is prudent to await the onboarding of a permanent Administrative Services Director so that this person can assess cash flow needs and research prudent ways to balance Council adopted investment goals of safety, liquidity, and yield.

During these quarters, yields have been low, reflecting the uncertainty of the economic climate. As of March 31, 2021, the City has recorded \$122,433.26 in interest earnings.

CONCLUSION

Staff recommends that the Committee receive the Third Quarter Investment Report (period ending March 31, 2021) for Fiscal Year 2020/21.

ATTACHMENT

Third Quarter Investment Report for FY 2020/21 (period ending March 31, 2021)

Prepared By: VW/KL

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

**CITY OF MORRO BAY
 QUARTERLY PORTFOLIO PERFORMANCE
 3/31/2021**

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 36,711,449	0.410%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:						
MM	MECHANICS BANK - MONEY MARKET	1,445,321	0.04%	DAILY	DAILY	1
SWEEP	MECHANICS BANK - SWEEP	5,243,097	0.01%	DAILY	DAILY	1
CERTIFICATES OF DEPOSIT:						
38148PGK7	ZION BANK - Goldman Sachs	250,003	1.550%	8/3/2016	8/3/2021	125
02007GHD8	ZION BANK - Ally Bank UT	246,000	2.900%	1/24/2019	1/24/2022	299
949763XU5	ZION BANK - Wells Fargo	249,000	2.800%	2/27/2019	2/28/2022	334
1404202A7	ZION BANK - Capital One	250,005	2.400%	4/12/2017	4/12/2022	377
61760AUU1	ZION BANK - Morgan Stanley	246,000	3.000%	1/24/2019	1/24/2023	664
61690UDL1	ZION BANK - Morgan Stanley	246,000	3.100%	1/24/2019	1/24/2024	1,029
1731202F5	ZION BANK - Citibank	246,000	3.200%	1/25/2019	1/25/2024	1,030
3090683803	STATE FARM BANK	250,435	3.050%	10/21/2013	10/24/2023	937
		<u>\$ 45,383,310</u>				
			RECORDED INTEREST AS OF 3/31/2021	% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
			<u>\$ 54,832.77</u>	<u>95.630%</u>	<u>0.454%</u>	<u>27</u>

Portfolio holdings as of the quarter ended March 31, 2021, are in compliance with the current Investment Policy. With 95.630% of the portfolio held in liquid instruments, the City's portfolio is well above the 65% to 70% target liquidity rate approved by the City Council in March 2018.