



AGENDA NO: 8.b

MEETING DATE: April 28, 2026

Staff Report

TO: Honorable Mayor and City Council

DATE: April 22, 2026

FROM: Greg Kwolek, Public Works Director

SUBJECT: Approve a Professional Services Agreement with Cannon Corporation for Design of Phase 1 and Environmental Permitting for all Phases of the North Morro Bay Water Improvements Project

RECOMMENDED ACTION

Approve and authorize the City Manager to execute a professional services agreement with Cannon Corporation to provide design and engineering services during construction for Phase 1 of the North Morro Bay Water Improvements Project (Project), and environmental review and permitting for all phases of the Project, in an amount not-to-exceed \$525,492.00, and authorize the City Manager to execute amendments if necessary not to exceed \$52,549.00 for contingencies.

ALTERNATIVES

The City Council may:

1. Choose not to approve the professional services agreement with Cannon Corporation; or
2. Provide other direction to staff.

PROJECT SUMMARY

In 2017, the City initiated the OneWater Morro Bay Plan to comprehensively evaluate water, wastewater, and stormwater systems and identify long-term infrastructure needs. Hydraulic modeling and fire flow analysis identified the following water system concerns related to the Nutmeg and Upper Kings Pressure Zones:

- Deficient water pressures and fire flow capacity
- A concentration of underperforming hydrants in North Morro Bay
- System-wide deficiencies related to storage, conveyance, and pressure management

To address these concerns, the OneWater Plan recommended a series of improvements including:

- Replacement of the Nutmeg tank with a new larger pre-stressed concrete tank
- Removal of the Elena tanks
- Booster pump upgrades
- Pipeline improvements to eliminate reliance on the Vashon Booster Pump Station

By 2022, City staff prepared a high-level estimate indicating that the Nutmeg project, inclusive of the abovementioned improvements, could cost over \$19 million. Additionally, a tank replacement project presented constructability constraints. Access to the project site is constrained by steep terrain. Also, the site is in close proximity to residential development, and construction would involve challenges with staging and traffic. Further, the City does not have property control of the site because it is privately owned and leased to the City.

Prepared By: ME/NS

Dept Review: GK

City Manager Review: JC

City Attorney Review: BS

In light of this, City staff engaged Cannon to develop project alternatives that would address water system deficiencies while saving costs and avoiding a tank replacement at the Nutmeg Tank site. In response to the cost and constructability challenges associated with replacing the Nutmeg tank, the City completed an alternatives analysis in 2024 to identify more cost-effective and implementable solutions. The analysis determined that the original project objectives of improving water pressure and fire flow could be achieved through a combination of several discreet individual system-wide improvements, including:

- Strategic pipeline upsizing and interconnections
- Pressure zone modifications and PRV installations
- Optimization of existing storage within the Kings tank system
- Several urgent system improvements and upgrades

These improvements are being implemented as a phased program now called the North Morro Bay Water Improvements Project (Project), since the project no longer involves replacement of the Nutmeg tank. This approach achieves the same functional goals as a new storage tank (adequate fire flow, system reliability, and pressure stability) but avoids the significant challenges associated with constructing a tank at the Nutmeg site.

This first phase of the Project, estimated to begin construction in 2027, addresses immediate concerns with existing infrastructure and lays the foundation for future phases of improvements. Due to the broad scope of these improvements across north Morro Bay, a phased construction approach is suggested as listed below:

- 1.1 Close off and demo Elena Tanks
- 1.2 Design and install skid mounted booster to Nutmeg Zone, including future fire pump
- 1.3 Replace pump at Vashon Booster Station
- 1.4 Increase hydraulic grade line (HGL) at Errol pressure reducing valve (PRV), Sunset PRV, and Desal PRV to 220' HGL
- 1.5 Increase the Errol PRV to 8"
- 1.6 Replace the Errol Street pipeline with 8" pipe, upstream of PRV
- 1.7 Connect Elena and Blanca zones at Sequoia and Main Streets for fire flow
- 1.8 Install check valve (PRV) from Blanca to Elena (set higher)
- 1.9 Install check valve (PRV) from Elena to Blanca (set lower)
- 1.10 Provide SCADA controls/signal for all improvements
- 1.11 Install 25' of new 12" pipe at Elena and Alder Streets
- 1.12 Investigate rehabilitation of existing Nutmeg Tank in service
- 1.13 Install new 6" water main on Laurel Ave from Cuesta Ave to Laurel northern dead end

Subsequent phases 2-4 consist of pipeline, pump and tank upgrades to improve system flow and pressure. Staff plans to bring later phases of the project to the Public Works Advisory Board for review and input.

DISCUSSION

On December 16, 2025, City staff published a Request for Proposals for design and engineering services during construction specific to the first phase of improvements, and environmental review for all phases of the Project. Two responsive proposals were received and were evaluated by a Staff panel, following which oral interviews were conducted. Cannon Corporation was found to be the most qualified and was selected by staff. The cost proposal was then opened and reviewed by staff, and subsequently negotiated the terms, scope of fee of the proposed agreement to meet the project goals, within the available budget and meeting project timelines.

FISCAL IMPACT

No new funding is requested for this agreement. Funding for design of Phase 1 of the North Morro

Bay Water Improvements Project is already included in the City's adopted capital improvement budget, with the specific account for the Project currently holding a fund balance of \$5,043,000.

The Project was incorporated into the City's water rate structure and capital planning efforts over two rate cycles, including the 2015 rate increases and subsequent rate adjustments, which anticipated funding for major water system improvements, including the Nutmeg Tank replacement and related infrastructure improvements.

ATTACHMENT

1. Professional Services Agreement with Cannon Corporation