



State Water Resources Control Board

February 26, 2024

Mr. Greg Kwolek
Public Works Director
City of Morro Bay
555 South Bay Blvd
Morro Bay, CA 93442
gkwolek@morrobayca.gov

RECYCLED WATER DELIVERIES REDUCTION REQUEST; CITY OF MORRO BAY (CITY); MORRO BAY WATER RECLAMATION FACILITY (PROJECT); CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM; WATER RECYCLING FUNDING PROGRAM (WRFP) PROJECT NO. 8185-210; AGREEMENT NO. D2001033 (AGREEMENT)

Dear Mr. Kwolek,

On November 27, 2023, Division of Financial Assistance (DFA) staff received an email from the City detailing challenges in the construction of the Project. City staff explained they are unsure if the projected recycled water deliveries included in the original application are attainable due to being unsure if the City will reach future buildout conditions. The City requested confirmation of the minimum implementation requirements to comply with the terms of the CWSRF agreement.

On July 1, 2021, the City entered into a financing agreement with the State Water Resources Control Board (State Water Board) to construct the Project. In Exhibit A of the Agreement, the project scope includes indirect potable reuse facilities, including recycled water pipeline to convey treated water from the Water Reclamation Facility (WRF) to the injection location, as well as injection well.

The Project application submitted by the City received a primary score of 7 points as a Water Recycling project with an expectation that the Project meets the requirements of the Water Recycling Funding Program Guidelines. On October 21, 2020, the City submitted a User Connection Schedule, as part of the application, that detailed an estimated planned recycled water usage of 825 acre-feet per year (AFY) for both existing and future uses. Exhibit C.1.1 of the Agreement states "The Recipient agrees to fulfill all assurances, declarations, representations, and commitments in its application, accompanying documents, and communications filed in support of its request for funding under this Agreement."

E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

Furthermore, the Plans & Specifications submitted by the City with the Final Budget Approval (FBA) package, for both the WRF and the conveyance phases of construction, set a clear expectation that the City intends to build the project to include Indirect Potable Reuse (IPR) components. Examples of this include, but are not limited to, pages 40, 52, 57, 69, 70, and 71 of the Request for Proposals for Design-Build Services of the WRF Onsite Improvements, dated January 24, 2018, pages 6, 7, 67, 70, 71, 72, and 130 of the WRF Plans, dated 5/20/2020, and page 12 of the Lift Stations and Offset Pipelines 90% Drawings, dated February 2020.

In accordance with the terms of the Agreement, the eligible project capacity is 825 AFY. Per sections IV.A.4, IV.C.1, and IV.C.2 of the WRF Guidelines, of this 825 AFY, 412.5 AFY must be delivered to existing users within 5 years of completion of construction. The remaining 412.5 AFY may be reserved for future users.

Failure to comply with the terms of the Agreement may be construed as a material breach of the Agreement. The occurrence of material breach would result in the City's immediate reimbursement of all grant and loan funds to the State Water Board.

If you have any questions about this letter, please contact Elnaz Nasaei by email at Elnaz.Nasaei@waterboards.ca.gov or by phone at (916) 324-6683.

Sincerely,



Michael Downey, Acting Assistant Deputy Director
Division of Financial Assistance

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