

From: [Greg Kwolek](#)
To: [Zellmer, Ashley@Waterboards](#); [Kals, Sandeep@Waterboards](#)
Cc: [Elaine Simmons](#); [Anthony Cemo](#); [Daniel Heime!](#); [Damaris Hanson](#)
Subject: Morro Bay WRF Program Recycled Water Minimum Requirements
Date: Monday, November 27, 2023 10:41:23 AM

Dear Ashley and Sunny,

As you know, the City of Morro Bay is finalizing the implementation plan for the Recycled Water component of the Water Reclamation Facility (WRF) Program and as part of the due diligence for completing the implementation plan, the City is reaching out to confirm the minimum implementation requirements of the Clean Water State Revolving Fund (SRF) loan agreement. It is important the City clearly understand the minimum recycled water implementation requirements so that it can implement a recycled water program that meets the City's near-term water supply reliability/resiliency needs and the requirements of the SRF Program financing agreement all while achieving a minimum impact to the City rate payers, who are ultimately funding the vast majority of the project.

The WRF Program has been a financial pain point for Morro Bay. It is by far the largest public works project (\$160m+) the City (pop. [10,700](#)) has ever undertaken. The City has incurred significant costs associated with the property/easement acquisition, environmental mitigation requirements, construction contract change orders, schedule delays, related attorneys fees, a pandemic (i.e., Covid-19 delays and associated labor shortages and supply chain issues), and natural disasters (i.e., historic flooding in winter 2023). Additional information on the constraints and current recommendations for the implementation of the City's recycled water program can be found in the [Joint Public Works Advisory Committee/City Council Meeting Agenda Packet](#).

Further, the recycled water usage estimate provided in the City's SRF application was based on an amount of wastewater available under a future buildout condition. However, we are unsure if the City will ever reach this projected amount within the duration of the SRF loan due to increased water usage efficiency, lower than anticipated population growth rates, and potential future population declines in California. These reductions in water demand and associated reductions in wastewater generation may make it difficult for the City to reach the recycled water usage targets included in the City's SRF application.

As such, the City is seeking written confirmation of the minimum implementation requirements to comply with the terms of the SRF loan agreement. The City also requests consideration for changing the implementation requirements from a minimum volume to a minimum number of wells (i.e., 2), which would align with the implementation requirements of the City's Water Infrastructure Finance and Innovation Act (WIFIA) loan.

Thank you for your assistance with this request. The City is grateful for your agency's funding support for the WRF Program, a critical infrastructure project for the community of Morro Bay.

Sincerely,

Greg Kwolek, Public Works Director
City of Morro Bay

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