

# Memorandum

**Date:** April 2, 2026

**To:** Honorable Mayor and City Councilmembers

**Through:** Jonathan Borrego, City Manager  
Michael Gossman, Assistant City Manager  
Frederick Mayo, Water Utilities Director *FM*

**From:** Mabel Uyeda, Water Engineering Manager *MU*

**Subject:** **Proposed Water Utilities Capital Budget and Funding Plan**

## Introduction

The Water Utilities Department has developed a comprehensive and proactive Capital Improvements Program (CIP) for both the Water and Sewer Enterprises. This program is designed to maintain critical infrastructure, meet regulatory requirements, and advance the City's long-term goal of increasing local water supply.

The Department remains committed to increasing local water supply development and centralizing sewer flows to enhance water reuse capabilities. In addition to implementing critical projects that support these efforts, the Department continues to prioritize repair and replacement projects identified in the 2015 Master Plans, replacement programs, and regular condition assessments, including closed-circuit television (CCTV) inspection of pipelines. These efforts reduce the risk of system failures and minimize costly emergency repairs.

Tables 1 through 7 summarize the proposed five-year capital spending plan, recently completed projects, ongoing projects, unfunded future projects, and alternative funding sources.

Collectively, this program represents a strategic investment in infrastructure that supports public health, environmental compliance, and long-term water supply sustainability for the City of Oceanside.

To improve project clarity and accountability, the Department has refined its CIP structure by establishing more discrete project accounts rather than grouping multiple projects under broader program categories. This approach enhances tracking of project expenditures and schedules. In addition, dedicated emergency repair projects have been established for both water and sewer to allow for more responsive implementation of unplanned work, and capital operating accounts have been created to support major equipment replacement and specialized services that fall outside routine operations.

**Table 1: Water and Sewer 5-Year CIP Overview (Amount in Millions)**

Enterprise	Proposed FY 26-27	Proposed FY 27-28	Proposed FY 28-29	Proposed FY 29-30	Proposed FY 30-31	Total
Water	\$39.37	\$40.61	\$20.05	\$3.29	\$3.54	\$106.85
Sewer	98.24	138.28	88.65	45.40	7.55	378.11
<b>TOTAL</b>	<b>\$137.61</b>	<b>\$178.89</b>	<b>\$108.70</b>	<b>\$48.68</b>	<b>\$11.08</b>	<b>\$484.96</b>

**Table 2: Water and Sewer Completed Projects FY 25-26**

Project Name	Project Cost (Amount in Millions)
Rancho Del Oro 24" Water/JP Steiger Tank (Water Pipeline Replacement)	\$2.74
Mesa Loma 18" Water Main Repair (Water Pipeline Replacement)	2.60
Sewer Point Repair Package No. 8	1.29
SLRWRF Return Activated Sludge Piping Replacement	0.67
Pure Water Oceanside Phase 3 Feasibility Study	0.45
MBGPF Sodium Hypochlorite Tank & Piping Replacement (Desalter Major Improvements)	0.44
Groundwater Well and MBGPF Title XVI Feasibility Study	0.43
MBGPF Well No. 2 Access (Desalter Major Improvements)	0.34
Pacifica Lift Station (Development)	1.97
LSWWTP Electrical Vault Structural Rehabilitation (LSWWTP Major Upgrades)	0.14
<b>TOTAL</b>	<b>\$11.08</b>

The following sections provide additional detail on the Water and Sewer Capital Programs, including key projects and investment priorities.

**Water Capital Program**

The Water Enterprise Capital Program focuses on expanding local water supply and maintaining critical infrastructure. Key initiatives include the Lower Recycled Water Phase 1 Fire Mountain Reservoir and Pump Station, Pure Water Oceanside Optimization, and the Mission Basin Groundwater Purification Facility (MBGPF) Brine Minimization and Groundwater Well Expansion projects. These projects are intended to increase local production, improve operational efficiency and system flexibility, and reduce reliance on imported water supplies.

In parallel, the Department continues to invest in rehabilitation and replacement of aging infrastructure, including the Rancho Del Oro Water Transmission Main, Downtown Water Pipeline Replacement, and Weese Water Filtration Plant Electrical Upgrades, to maintain system performance and reliability.

**Table 3: Water Projects Under Construction/Development**

Project Name	FY26-27 Cost (Amount in Millions)	Estimated Completion
Fire Mountain RW Reservoir & Pump Station	\$3.73	Fall 2026
Downtown Water Pipeline Replacement Phase 2 of 5	1.04	Spring 2028
Water Energy Conservation Measures Opterra (Engle)	0.77	Spring 2027
Water Jones Rd Facility Tenant Improvements	0.20	Fall 2026
Garrison & Mesa Water Main Replacement	0.26	Fall 2028
Lucky Street Water Pipeline Replacement	0.84	Spring 2027
Water Emergency Repair	0.50	As Needed
Water and Recycled Water Master Plan	0.30	Spring 2027
<b>TOTAL</b>	<b>\$7.64</b>	

**Table 4: Water Projects in Design**

Project Name	FY26-27 Cost (Amount in Millions)	Estimated Advertisement
MBGPF Well Expansion and Brine Minimization	\$6.60	Summer 2026
Weese Plant Electrical Upgrades	1.00	Summer 2026
Water Valve Replacement and Hydrant	0.87	Spring 2027
Water Replacement in Cleveland Storm Drain	0.20	Spring 2027
Pure Water Oceanside Phase 2 Optimization	4.23	Summer 2027
Existing 10" Recycled Water Line Rehabilitation	0.29	Spring 2026
Downtown Water Pipeline Replacement Phase	0.50	Summer 2027
<b>TOTAL</b>	<b>\$13.69</b>	

**Table 5: Water Projects Request for Proposal Development**

Project Name	Estimated Advertisement
Downtown Recycled Water Main Condition Assessment	Spring 2026
Downtown Water Pipeline Phase 3 of 5	Summer 2027
Pump Station Upgrades	Summer 2026
Water Asset Management Plan	Fall 2026
Mission Ave Water Replacement at Flood Channel & Mobile Park	Summer 2026
Mesa Loma Pump Station Rehabilitation	Fall 2026
San Francisco Peak Pump Station Rehabilitation	Summer 2026
San Francisco Peak Reservoir Rehabilitation	Spring 2027
San Luis Rey Drive & I-5 Water Main Replacement	Spring 2027

**Local Water Supply Development Progress**

The Water Utilities Department is actively advancing multiple local water supply projects to enhance the City's water resilience. With the completion of Pure Water Oceanside, local sources now provide over 20% of the City's annual water supply needs.

Several key projects in the Water Capital Program are underway to support City Council's goal of achieving 50% local water supply by 2030. Based on the City's total annual potable and recycled water demand of 21,903 acre-feet per year (AFY) for calendar year 2025, these projects—once completed—are projected to bring local supply to approximately 40% of total demand. Achieving the 50% goal will require continued investment in both water supply and supporting wastewater infrastructure that enables reuse.

This projected percentage is lower than previously presented due to a revised accounting approach that avoids double counting of recharge and extraction. The Pure Water Oceanside project recharges the groundwater basin, which is subsequently extracted and treated at the Mission Basin Groundwater Purification Facility (MBGPF). To avoid double counting, this supply is reflected only in MBGPF production totals.

The projections assume that groundwater recharge from the Pure Water Oceanside project is fully extracted and treated at MBGPF. Actual production may vary based on aquifer performance and operational conditions.

The Upper Recycled Water System continues to be postponed due to uncertainties in recycled water demand in the Morro Hills area. The City's Planning Division intends to develop a specific plan for this region, which will be initiated following adoption of the City's comprehensive General Plan Update which is expected to occur this summer.

Below is a summary of the City's local water supply projects and their contributions toward achieving the 50% local supply goal.

**Table 6: Local Supply Projects**

Project Name	Demand (AFY)	% Local Supply	Status
Mission Basin Groundwater Supply	2,500	11.4%	Existing Groundwater Supply
Existing Recycled Water Demand	1,120	5.1%	Existing Users
Pure Water Oceanside 3,360 AFY <sup>1</sup>			Operational
Pure Water Oceanside Additional 1,680 AFY <sup>1</sup>			Permit Anticipated 2028
Lower Recycled Water Phase 1 Pipeline	237	1.1%	Completed in 2022
Lower RW Fire Mtn Reservoir & Pump Stn	185	0.8%	Completed in Fall 2026
Mission Basin New Production Well	450	2.1%	2026 Start Construction
MBGPF Brine Minimization & New RO Trains	4,380	20.0%	2026 Start Construction
Upper Recycled Water Phase 1 586 AFY	0	0%	Postponed
<b>TOTAL</b>	<b>8,872</b>	<b>40.5%</b>	

<sup>1</sup> Local supply contribution from PWO injection is included in MBGPF production only to eliminate double counting.

<sup>2</sup> Potential RW customers include Foussat Elementary School, El Camino Golf Course, and Eternal Hills Cemetery.

**Water Alternative Funding**

The Department continues to actively pursue alternative funding sources for Water Enterprise Capital Projects. Below is a summary of grants and alternative funding that has been secured or is being actively pursued by the Department for the current list of Capital Projects.

**Table 7: Water Alternative Funding Sources (Amount in Millions)**

Project	Total Project Cost	Fund/ Grant Amount	Pending	Grant Funder
Pure Water Oceanside, Phase 1 & 2	\$71.87	\$17.58	\$7.13	USBR WIIN <sup>1</sup>
		3.12		DWR IRWM Prop 1 Round 1
Pure and Recycled Water Projects	114.29	56.00		EPA WIFIA Water Loan (1.20% interest)
Water Improvement Projects	51.29	30.00		Water Revenue Bond (2.54% interest)
Local Water Supply Reimbursement (15% Credit over 15 yrs)		43.10		MWD Local Resources Program
MBGPF Brine Minimization and Groundwater Wells Expansion	35.75	8.84		USBR WIIN
			13.00	EPA WIFIA Water Loan (1.20% interest)
		1.00		California DWR Water Desalination Grant
Recycled Water Conveyance, Lower Ph 1	18.54	6.33		USBR WIIN (NSDCRWC)
Recycled Water Downtown Line, Lower Ph 1	7.00	0.80		IRWM Prop 1 Round 2
Fire Mountain Reservoir & Pump Station, Lower Ph 1	12.18	5.00		DWR SRF Loan (0.80% interest) & Grant
Pure Water Oceanside, Phase 3 Feasibility Study	0.45	0.20		USBR WIIN
<b>Total</b>	<b>\$311.36</b>	<b>\$171.97</b>	<b>\$20.13</b>	

<sup>1</sup>Amendment to existing USBR WIIN Grant for PWO Phase 1 and 2 in progress to maximize funding.

All alternative funding sources and previously awarded grant monies were programmed into the long-term financial model, with rates recommended accordingly. Pending grant awards, if secured, will provide additional opportunities to offset costs and support ongoing capital investment. Savings could be used to fund currently unfunded projects or help mitigate future rate increases, at Council's discretion.

Under the USBR Title XVI WaterSMART grant program, the City previously received funding for recycled water projects, including the planned expansion of the Upper Recycled Water System to serve the Morro Hills area. However, because this expansion has been postponed, the City has removed it from the grant's scope of work and is working with USBR to approve the MBGPF Brine Minimization and Well Expansion Project for approximately \$13 million in low-interest loan funding, which is not included in the funding table until the amendment is executed. The WIFIA water loan remains a highly beneficial financing mechanism despite the change.

### **Sewer Capital Program**

The Sewer Enterprise Capital Program is centered on implementing the Sewer Centralization Program and addressing aging infrastructure. Centralizing wastewater flows to the San Luis Rey Water Reclamation Facility (SLRWRF) enables the City to expand its recycled and purified water supply by increasing the volume of wastewater available for treatment and reuse.

This program includes construction of new lift stations and force mains to convey flows to SLRWRF, while incorporating system redundancy to support long-term operations. In addition, the Department continues to advance rehabilitation and replacement projects identified through master planning, condition assessments, and regulatory requirements.

The Sewer Capital Program reflects a strategic shift in project delivery and funding approach. It includes a significant increase in near-term investment, driven not only by rising construction costs but also by the accelerated delivery of the Sewer Centralization Program. Construction of the Buccaneer Lift Station and Force Main, along with other program components that may be constructed simultaneously, has been advanced to support completion by 2030.

To maintain rate stability while advancing this schedule, the City is pursuing increased WIFIA loan funding and/or municipal bond financing to better align funding with the accelerated timeline. The Department is carefully balancing debt ratios and reserve levels to maintain strong credit ratings and mitigate long-term costs to ratepayers.

While advancing multiple major projects concurrently presents implementation challenges, this approach is expected to reduce overall lifecycle costs by avoiding continued investment in the aging LSWWTP. In parallel, the Department continues to pursue grant funding and other external financing opportunities to offset project costs and reduce reliance on debt.

Looking ahead, the Department will prepare an updated Sewer Master Plan and Asset Management Plan to further identify and prioritize system needs, supporting long-term capital improvement program planning.

**Table 8: Sewer Projects Under Construction/Development**

Project Name	FY26-27 Cost (Amount in Millions)	Estimated Completion
Downtown Sewer Replacement Phase 2	\$7.08	Spring 2028
La Salina WWTP Major Upgrades <sup>1</sup> (Structural Rehab and Solids Handling Press Building)	2.43	Summer 2026
Land Outfall Replacement <sup>2</sup>	5.77	Spring 2029
Mission Ave Force Main Rehabilitation <sup>2</sup>	4.12	Spring 2029
Mission Siphon Flow Relief	0.08	Summer 2026
OMG Force Main <sup>2</sup>	6.54	Spring 2029
OMG Lift Station <sup>2</sup>	8.22	Spring 2029
Pipeline Rehab Program (Loma Alta Sewer Replmt Phase 2)	5.10	Summer 2027
Sewer Energy Conservation Measures Opterra (Engie)	0.10	Spring 2027
Lucky Street Sewer Pipeline Replacement	1.29	Spring 2027
Sewer Emergency Repair	0.50	As Needed
9 <sup>th</sup> St Force Main Replacement <sup>3</sup>	0.00	Spring 2028
Sewer Master Plan	0.80	Spring 2028
Oceanside Blvd Lift Station Enhancements	0.65	Spring 2027
<b>TOTAL</b>	<b>\$40.26</b>	

<sup>1</sup> La Salina WWTP Major Upgrades expenditure is projected to occur in FY25-26 and excluded from FY26-27 total. In the event of unforeseen delays, expenditures will carry over into FY26-27.

<sup>2</sup> Project components included in Progressive Design-Build contract.

<sup>3</sup> Project incorporated into Downtown Water and Sewer Ph 2 due to proximity of improvements.

**Table 9: Sewer Projects In Design**

Project Name	FY26-27 Cost (Amount in Millions)	Estimated Advertisement
Buccaneer Lift Station <sup>1</sup>	\$13.67	May 2026
Mission Ave Sewer Gravity Lining & Replacement	1.61	Spring 2027
North Valley Lift Station and Force Main	7.08	Winter 2026
Sewer Pipeline Capacity Upgrades (Leonard Witzel Sewer)	0.30	Summer 2026
Sewer Pipeline Replacement (Wisconsin & Strand Sewer Trail Stabilization & Other)	1.38	Spring 2026
Sewer Point Repair Package No. 9	0.17	Spring 2027
SLRWRF Major Upgrades Phase 1	15.00	Winter 2025
Harbor Area Sewer Replacement Phase 1	0.80	Summer 2026
Harbor Area Sewer Replacement Phase 2	0.50	Spring 2027
Buccaneer Force Main	3.15	Summer 2029
SLRWRF Digester 2 Rehabilitation	1.69	Fall 2026
SLRWRF Digester 4 Rehabilitation	1.69	Spring 2026
Sewer Replacement - Cleveland Storm Drain	0.28	Spring 2027
Buena Vista Lift Station Rehab/Replacement	0.12	Spring 2026
<b>TOTAL</b>	<b>\$47.43</b>	

<sup>1</sup> Project will be fixed-price design-build and request for qualifications were advertised in February 2026. Request for proposals will be provided in May 2026 to short-listed firms.

<sup>2</sup> Sewer replacement included in Development Services Department CIP schedule dependent on funding for storm drain improvements.

**Table 10: Sewer Projects Request for Proposal Development**

Project Name	Estimated Advertisement
Camp Pendleton Assessment	Spring 2026
CIPP Sliplining	Winter 2026
SLRWRF Tenant Improvements	Spring 2026
Land Outfall Replacement in Oceanside Blvd/NCTD	Summer 2026
Land Outfall Replacement Garrison St & Oceanside Blvd	Summer 2026
Leisure Village Lift Station No. 1 Rehab Study	Spring 2026
Mission Ave Sewer Replacement at Flood Channel	Summer 2026
San Luis Rey Dr & I-5 Sewer Replacement	Spring 2027
Via Rio Sewer Replacement in Easement	Spring 2027

**Sewer Alternative Funding**

Staff continues to pursue alternative funding sources for sewer projects; however, dedicated grant opportunities for sewer infrastructure are more limited compared to those available for water supply, recycled water, and desalination projects. Sewer projects typically rely more on low-interest financing options, such as WIFIA and SRF loans, with grant funding primarily available for projects that incorporate energy recovery, climate resilience, or environmental enhancements.

**Table 11: Sewer Alternative Funding Sources (Amount in Millions)**

Project	Total Project Cost	Grant Amount	Pending	Grant Funder
Loma Alta Creek Sewer Ph 2 Relocation	\$8.22	\$3.45	\$0	EPA STAG Region 9 Community Grant
OMG Force Main (SLR River Crossing)	9.00	1.33		IRWM Prop 1 Round 2
Sewer Improvements <sup>1</sup>	218.21		78.25	EPA WIFIA Sewer Loan <sup>2</sup>
Sewer Centralization Program <sup>3</sup>	180.00		10.65	USBR WEEG Grant PWO Amendment
			34.00	USBR WIIN
<b>Total</b>	<b>\$415.43</b>	<b>\$4.78</b>	<b>\$122.90</b>	

<sup>1</sup> Projects include Buccaneer LS, Buccaneer FM, OMG LS, OMG FM, Land Outfall Replacement (all segments), Mission Ave FM, and potentially Mission Ave Gravity Main Lining and Replacement.

<sup>2</sup> Interest rate to be determined at anticipated closing in fall 2026. Requesting increased loan amount due to rising construction costs and increased scope.

<sup>3</sup> Projects include Buccaneer LS and FM, OMG LS and FM.

Staff is in process with the Environmental Protection Agency (EPA) on the WIFIA sewer loan for the suite of sewer improvement projects that will support the decommissioning of the LSWWTP and replace aging infrastructure. Additionally, the City was officially awarded congressional earmark funding in January 2026, a Region 9 Communities grant for the Loma Alta Creek Sewer Phase 2 Replacement Project that is administered through the EPA. Both projects have completed the environmental compliance requirements needed prior to loan issuance and construction commencement.

The U.S. Bureau of Reclamation (USBR) Title XVI Water Reclamation and Reuse Projects program recently increased the maximum eligible project cost for its water infrastructure grants from \$120 million to \$160 million, while maintaining a maximum federal cost share of 25%. This change increases the potential maximum grant award from \$30 million to \$40 million. In response, the City is actively coordinating with USBR to determine eligibility and explore opportunities to expand the project scope of active and awarded projects to align with the new funding limits.

With the completion of the Pure Water Oceanside Phase 3 Feasibility Study, the City has identified a need for more source water to expand the Advanced Water Purification Facility (AWPF) while continuing to provide recycled water. While the feasibility study is funded through the Water/Water Reuse Fund, the Sewer Centralization Program is a critical component of expanding the City's water reuse capacity, as it increases the volume of wastewater available for purification.

The City is actively pursuing federal funding for this program. The U.S. Bureau of Reclamation has expressed interest in considering sewer infrastructure improvements as part of a broader water supply strategy. This integrated approach recognizes that investments in sewer infrastructure directly support potable reuse and long-term water supply reliability. Securing this funding would help the City make the most of existing Pure Water Oceanside grant funding and enhance the City's competitiveness for additional federal funding for future expansion of the AWPF from 4.5 to 6 million gallons per day.

The proposed Capital Improvements Program reflects a coordinated investment across the City's water, recycled water, and sewer systems to support long-term service needs and future water supply development. By aligning infrastructure planning with funding opportunities, the City is well positioned to advance major projects while managing financial impacts.

Staff will continue to pursue grant funding and financing and will return to City Council with updates as projects and funding opportunities progress. Please contact Mabel Uyeda at x5819, should you have any questions.