



Item C-1 City Council

Water Reclamation Facility Potential Change Orders, Quarterly
Report, and Local Labor Discussion

May 26, 2020

MORRO BAY
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Recommendations

- As recommended by CFAC, review and receive the WRF Capital Project Quarterly Update Report and provide direction deemed appropriate if any with regard to the CFAC recommendation to provide the integrated Microsoft project management schedule with some key milestones for the WRF project updated frequently and shared with City staff, CFAC and City Council;
- Review and approve all twenty-six (26) potential change orders (PCOs) for the Water Reclamation Facility (WRF);
- Review and approve proposed local labor provision language for the bid packages and contract agreements for the remaining components of the WRF project;
- Provide a value to be used for liquidated damages for a contractor or subcontractor failing to comply with the local labor good faith requirements

Quarterly Report Overview

Summary of project status

- Current project estimate exceeds the baseline budget
- Several major elements of the Project are behind schedule
- Overall Project is behind schedule, but not at risk of not meeting TSO compliance
 - TSO Compliance – February 28, 2023
 - Substantial Completion – June 15, 2022

Budget history

Project Component	Baseline (Q4 FY 17/18)	Quarterly Reconciliation (Q3 FY 18/19)	Annual Re-Baselined (Q4 FY 18/19)	Quarterly Reconciliation (Q1 FY 19/20)	Quarterly Reconciliation (Q2 FY 19/20)	Quarterly Reconciliation (Q3 FY 19/20)
Water Reclamation Facility	\$62,414,000	\$74,059,000	\$72,891,000	\$72,598,000	\$72,231,000	\$71,856,000
Conveyance Facilities	\$21,087,000	\$27,108,000	\$28,864,000	\$28,524,000	\$29,224,000	\$29,989,000
Recycled Water Facilities	\$8,593,000	\$5,366,000	\$5,250,000	\$5,212,000	\$5,353,000	\$5,526,000
General Program	\$24,403,000	\$11,614,000	\$11,801,000	\$11,625,000	\$11,701,000	\$12,964,000
Construction Contingency	\$9,444,000	\$6,450,000	\$7,132,000	\$7,131,000	\$7,364,000	\$10,264,000
Total	\$125,941,000	\$124,597,000	\$125,938,000	\$125,090,000	\$125,873,000	\$130,599,000

New baseline budget summary

- Water Reclamation Facility
 - \$2.9 million construction contingency
- Conveyance Facilities
 - Addition biological monitoring
 - Addition archeological pre-construction testing and monitoring
- Recycled Water Facilities
 - Addition biological monitoring
 - Addition archeological pre-construction testing and monitoring
- General Project
 - Additional costs for legal
 - WIFIA closing costs

Impacts of revised budget on total cost

Scenario	2018 Rate Study	2019 Financial Plan Update	2020 Debt Service Projections
Project Budget	\$126,000,000	\$125,882,000	\$130,596,000
Debt Proceeds	\$95,175,000	\$97,000,000	\$101,714,000
Total Debt Service Cost	\$179,945,000	\$132,660,000	\$128,138,000
Present Value of Total Debt Service Payments⁽¹⁾	\$107,738,000	\$81,698,000	\$74,622,000
Maximum Annual Debt Service Payment	\$5,293,000	\$4,422,000	\$3,993,000

Notes:

(1) Present value is shown in current dollars and assumes a 3-percent discount rate.

Key accomplishments and challenges

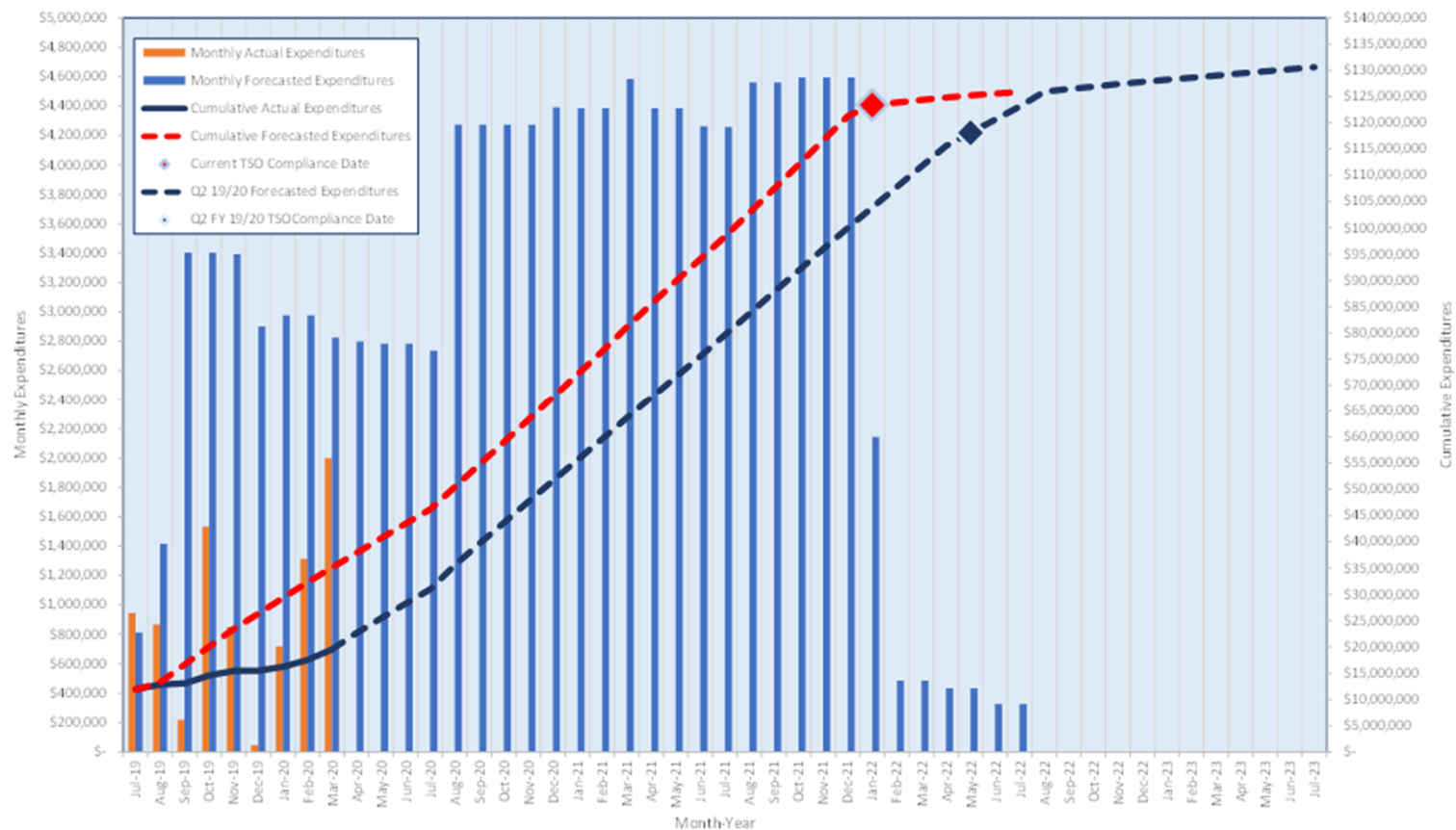
Project Component	Key Accomplishments	Critical Challenges	Actions to Overcome Challenges	Likely Outcomes
General Project	Signed WIFIA loan agreement for \$61.7 million.			
	Completed Section 7 consultation with the USFWS for the CRLF and received the Final BO.			
Water Reclamation Facility	Completed the 90-percent design deliverable.			
	Issued the construction NTP.			
		Numerous potential change orders (PCOs) need to be considered that will likely exceed the \$126 million Project budget.	PCOs will be presented to the Public Works Advisory Board (PWAB) and City Council in May.	
Conveyance Facilities		Complete the permitting process with the California Department of Fish and Wildlife (CDFW).	Continue to coordinate with CDFW staff to facilitate review.	Avoidance of certain areas on the WRF site is causing construction inefficiencies that could result in a future PCO.
	Completed the 90-percent design deliverable.			
		Expediting completion of the final design for the Conveyance Facilities.	Elimination of intermediate design deliverables.	Further delays in the start of construction could impact the start-up of the WRF and delay compliance with the time schedule order (TSO).
Recycled Water Facilities		Receipt of easements necessary to construct the pipelines in the City's existing bike path.	Work closely with Vistra (Vistra Energy), PG&E, and California Public Utilities Commission (CPUC) to obtain the easements.	Delayed receipt of the easements could complicate or delay construction of the Conveyance Facilities.
		Receipt of property necessary to construct the injection wells.	Work with Vistra to obtain the property for the injection wells.	Without expediting the schedule, the completion of the injection wells will be delayed (does not impact compliance with the TSO).

Project dashboard

Performance Measure	Data	Baseline (Q4FY 18/19)	Current (Q3 FY 19/20)	Delta	Status			
1: Total Project Costs	Total Project Projected Cost at Completion versus the Baseline Budget (budget as of 03/31/20)	\$125.9 M	\$130.6 M	3.7%		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 03/31/20)	\$77.3 M	\$79.4 M	2.7%		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 03/31/20)	\$31.3 M	\$32.5 M	3.6%		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 03/31/20)	\$5.6 M	\$5.8 M	4.4%		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 03/31/20)	\$11.7 M	\$12.9 M	10.7%		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 03/31/20)	1.00	1.07	0.07		>= 1.00	0.99 to 0.90	< 0.90
3: Schedule Performance Index ⁽¹⁾	Ratio of Planned Percent Complete to Actual Percent Complete (as of 03/31/20)	1.00	0.94	-0.06		>=1.00	0.99 to 0.80	<0.80
4: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (thru 03/31/20)	18,500 LF	0.0 LF	0.0%		<= 5%	> 5% and <=7.5%	> 7.5%
5: Compliance Date Countdown	Days Remaining to Compliance Date (as of 03/31/20)	1,064 days	832 days	-258 days		<= 365 days	364 days and 180 days	> 179 days

Current vs. planned expenditures

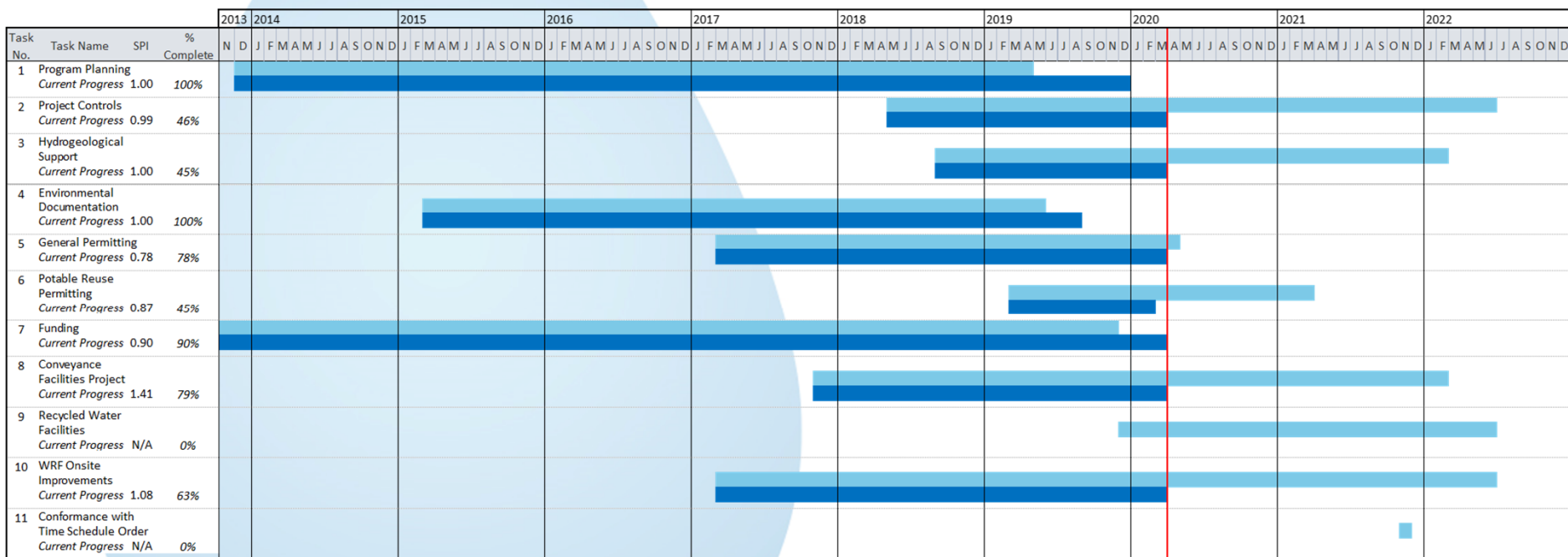
Estimated Cash Flow Projection FY 2013-2024



Expenditures to date

Project	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.)	Cost Expended to Date (%)
General Project	\$7,256,000	\$ 8,686,000	83.5%	\$12,967,000	56.0%
WRF	\$8,159,000	\$ 68,999,000	11.8%	\$79,360,000	10.3%
Conveyance Facilities	Total Expenditures = \$19,508,000			\$1,446,000	5.6%
Recycled Water Facilities	\$388,000	\$ 621,000	62.5%	\$5,826,000	6.7%
Total	\$17,610,000	\$ 80,358,000	21.9%	\$130,599,000	13.5%

Schedule overview



Project SPI: 0.94
Program % Complete: 70%

Baseline Schedule
Actual Progress-To-Date

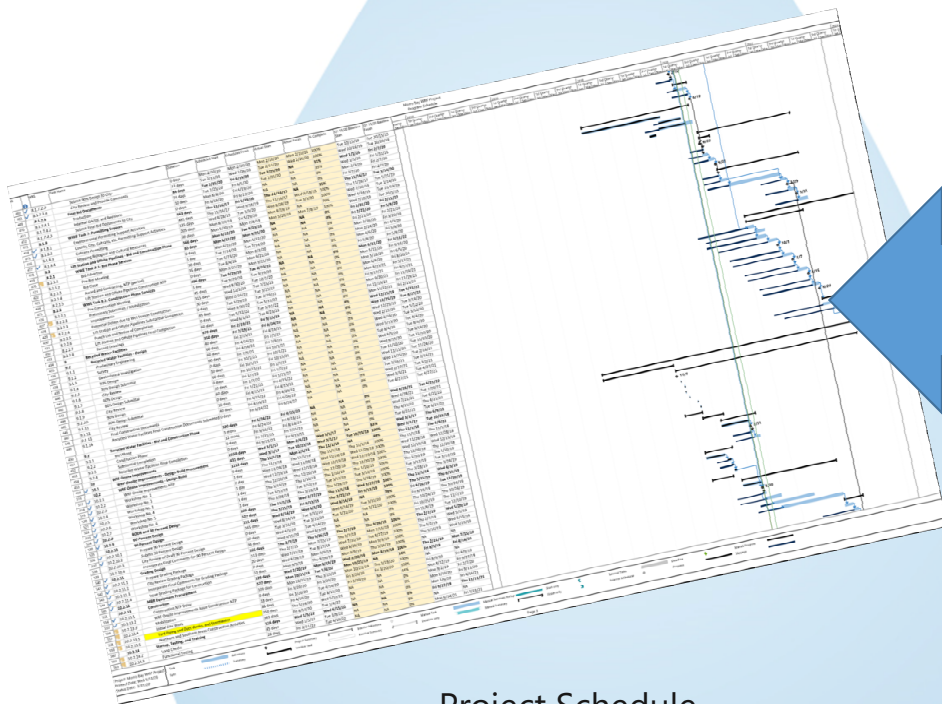
New milestone schedule overview

Milestone	Baseline Schedule due Date	Planned Completion Date
<u>General Project</u>		
Compliance with the TSO	November 11, 2021	June 15, 2022
<u>Water Reclamation Facility</u>		
Begin Construction	August 08, 2019	March 20, 2020
Deliver 90 Percent Design	October 24, 2019	March 31, 2020
Substantial Completion	November 11, 2021	June 15, 2022
Final Completion	June 09, 2022	February 06, 2023
<u>Conveyance Facilities</u>		
Deliver 90 Percent Design	October 15, 2019	February 10, 2020
Deliver 100 Percent Design	December 17, 2019	June 19, 2020
Bid Advertisement	February 21, 2020	June 22, 2020
Award Construction Contract	May 08, 2020	September 21, 2020
Substantial Completion	September 17, 2021	March 29, 2022
Final Completion	November 19, 2021	May 21, 2022
<u>Recycled Water Facilities</u>		
Select Preferred Injection Area	May 28, 2019	May 22, 2020
Deliver 30 Percent Design	August 04, 2020	October 01, 2021
Deliver 60 Percent Design	November 10, 2020	January 07, 2022
Deliver 90 Percent Design	February 16, 2021	April 15, 2022
Deliver 100 Percent Design	April 27, 2021	June 24, 2022
Award Construction Contract	July 21, 2021	August 18, 2022
Substantial Completion	April 21, 2022	July 21, 2023
Final Completion	June 21, 2022	September 15, 2023

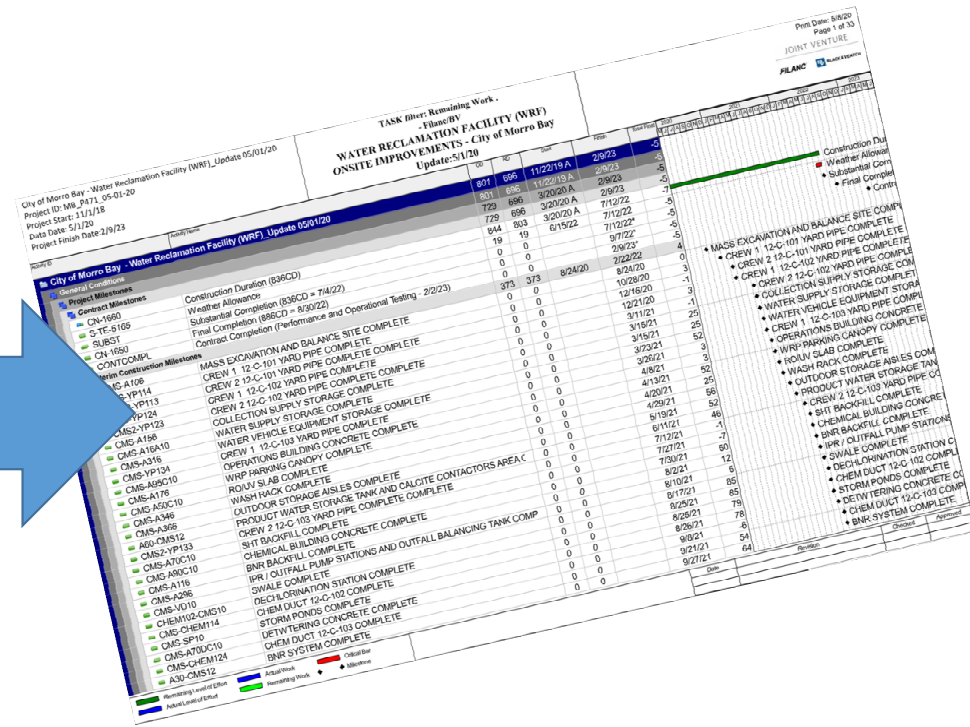
Schedule recovery strategies

- Task 6 – Potable Reuse Permitting
 - Continue development of the Title 22 Engineering Report (hydrogeological work must be completed in order to finalize the report)
- Task 8 – Conveyance Facilities
 - Expedite bidding for this element of the Project
- Task 10 – WRF Onsite Improvements
 - Expedite new permitting effort with CDFW

CFAC comments



Project Schedule



WRF Construction Schedule

Potential Change Orders

What is a PCO?

Suggested change to the WRF identified

Determination of material change in DB scope

Development of raw order of magnitude (ROM) cost

Decision made to move forward

Development of Draft PCO

Review of Draft PCO by Program Manager

Discussion of Comments

Development of Final PCO and Negotiation

Summary of proposed PCOs

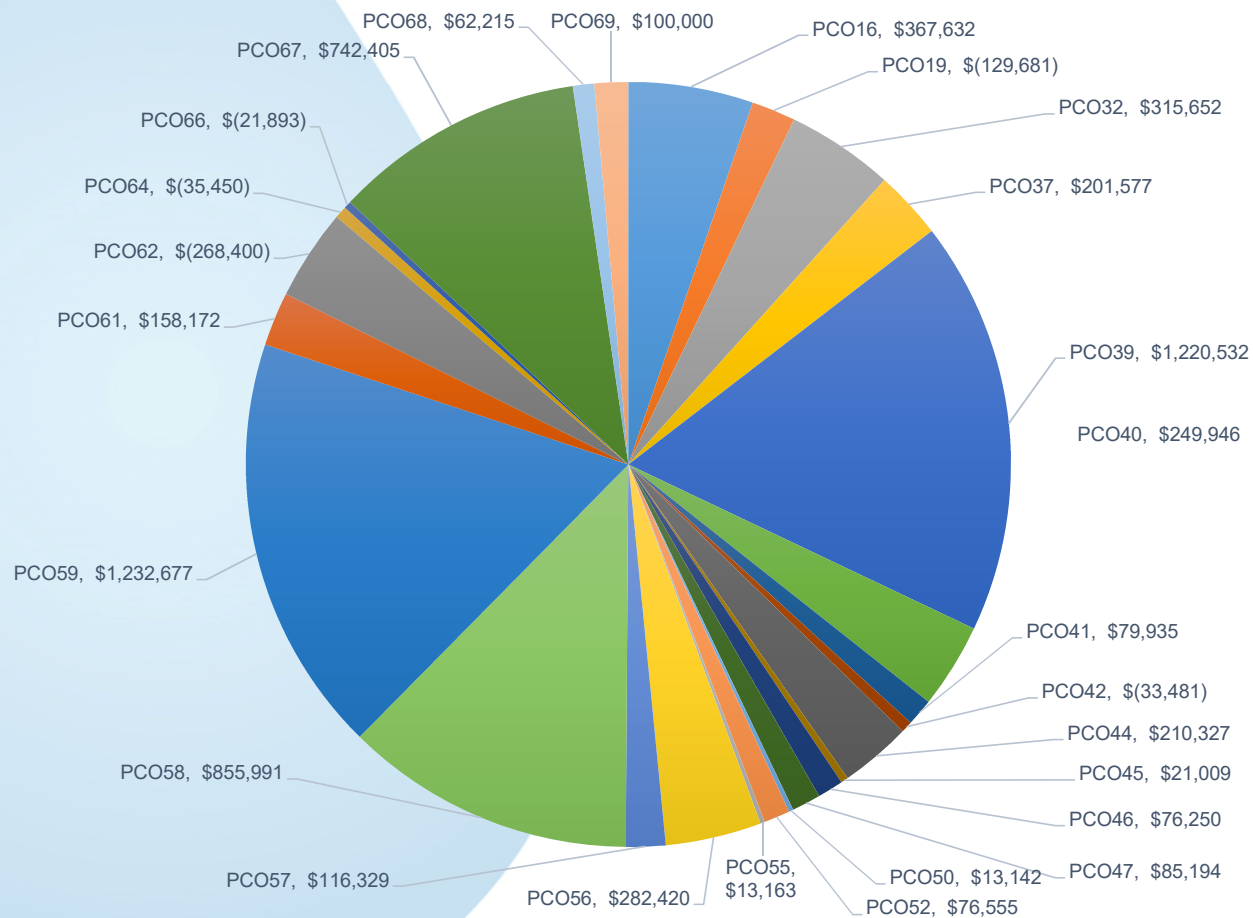
- Total 26 PCOs being considered
- Total cost impact of \$5,992,217
 - Cost increase = \$6,481,123
 - Cost savings = \$(488,905)
- Adoption of the PCOs would exceed the remaining contingency for the WRF component of the Project (\$4,541,338)

PCOs will result in an increase in the total Project Budget

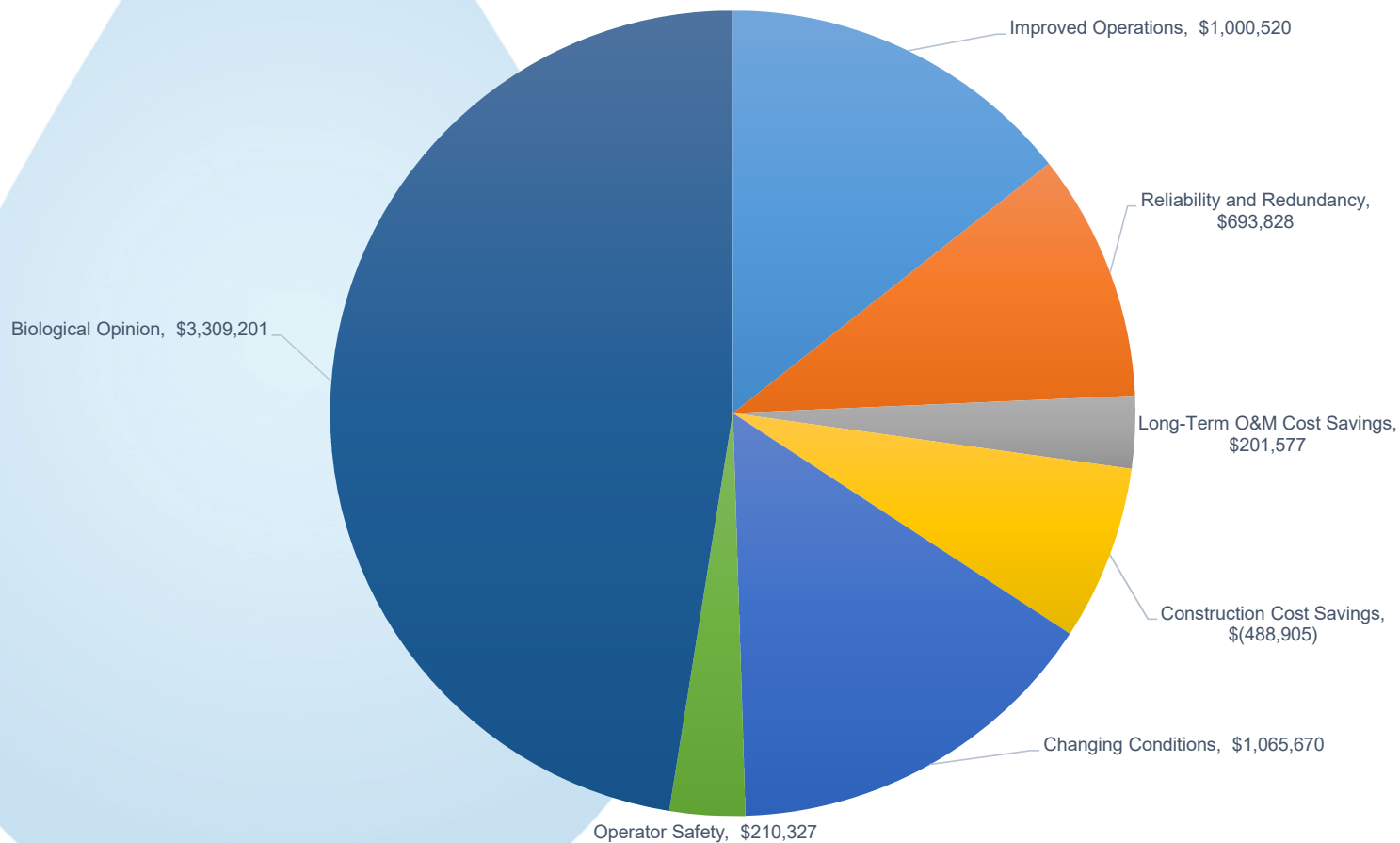
Impacts on WRF contingency

DB Contract	Amendment Value	GMP	Contingency	Contingency Revision
Original Agreement	\$0	\$67,234,512	\$6,241,333	\$0
Amendment No. 1	\$1,636,059	\$68,870,571	\$4,605,274	\$0
Amendment No. 2	\$63,937	\$68,934,508	\$4,541,338	\$0
Amendment No. 3	\$5,992,217	\$74,926,725	\$(1,450,879)	\$2,900,000
Total			\$1,449,121	

Breakdown of cost increases

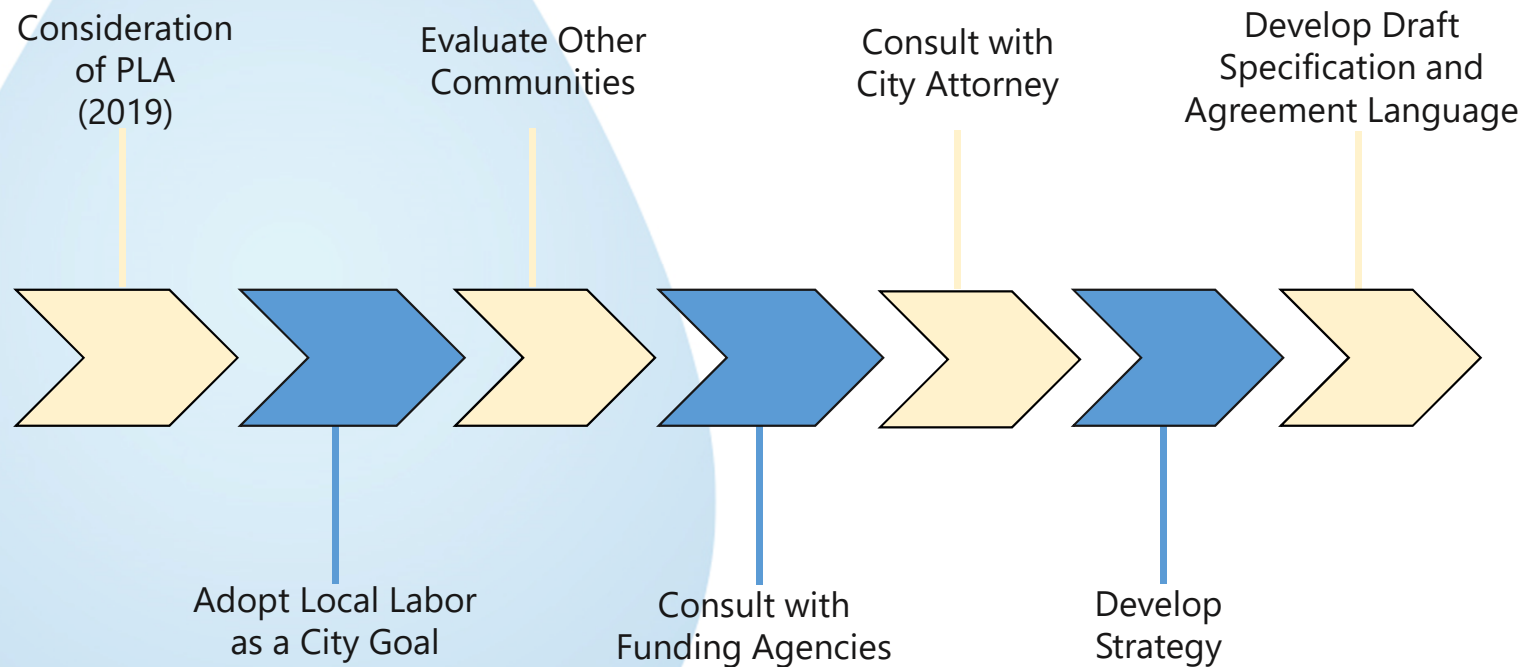


Cost increase categories



Local Labor Discussion

Evolution of local labor discussion



What are other communities doing?

- Morro Bay
- Fresno
- Sanger
- Paso Robles
- Pismo Beach



What is the proposed approach?

- Focus on both pre and post award
- Utilize existing Morro Bay Code Section 3.08.105
- Utilize existing Morro Bay Good Faith Efforts for local labor (similar to DBE requirements)
- Utilize liquidated damages to encourage compliance during construction (amount to be determined)

Recommendations

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Questions and Discussion



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