

# Item B-1 Citizens Financing Advisory Committee

Water Reclamation Facility Quarterly Update Report

May 19, 2020

MORRO BAY  
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# Recommendations

- Receive WRF quarterly update report

# Quarterly Report Overview

# Reporting process overview

- Single report for CFAC and City Council produced each month
  - Tracking of actual expenditures
- Monthly report expanded every third month (close of each quarter)
  - Budget reconciliation
- Budget and schedule are re-baselined annually
  - Last baseline July 01, 2019

# 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<br>(Q4 FY 17/18) | Quarterly<br>Reconciliation<br>(Q3 FY 18/19) | Annual<br>Re-Baselined<br>(Q4 FY 18/19) | Quarterly<br>Reconciliation<br>(Q1 FY 19/20) | Quarterly<br>Reconciliation<br>(Q2 FY 19/20) | Quarterly<br>Reconciliation<br>(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                                 |
| <b>Total</b>               | <b>\$125,941,000</b>      | <b>\$124,597,000</b>                         | <b>\$125,938,000</b>                    | <b>\$125,090,000</b>                         | <b>\$125,873,000</b>                         | <b>\$130,599,000</b>                         |

# 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<br>Rate<br>Study | 2019<br>Financial<br>Plan Update | 2020<br>Debt Service<br>Projections |
|---|-----------------------|----------------------------------|-------------------------------------|
| <b>Project Budget</b>   | \$126,000,000         | \$125,882,000                    | \$130,596,000                       |
| <b>Debt Proceeds</b>  | \$95,175,000          | \$97,000,000                     | \$101,714,000                       |
| <b>Total Debt Service Cost</b>                                    | \$179,945,000         | \$132,660,000                    | \$128,138,000                       |
| <b>Present Value of Total Debt Service Payments<sup>(1)</sup></b> | \$107,738,000         | \$81,698,000                     | \$74,622,000                        |
| <b>Maximum Annual Debt Service Payment</b>                        | \$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

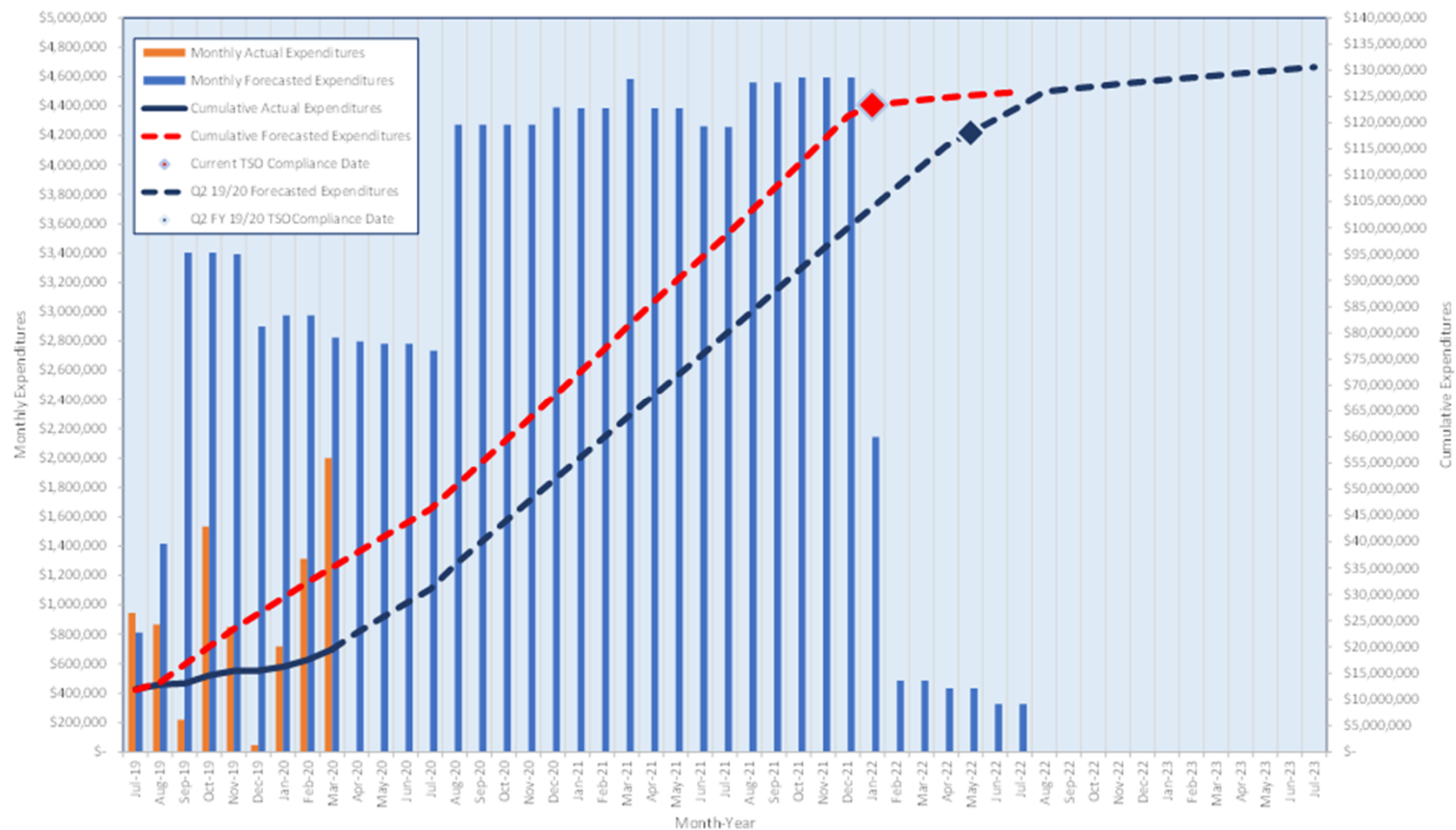
| Project Component          | Key Accomplishments   | Critical Challenges   | Actions to Overcome Challenges   | Likely Outcomes   |
|----------------------------|---|---|--|---|
| General Project            | Signed WIFIA loan agreement for \$61.7 million.   |   |  |   |
|                            | 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<br>(Q4FY 18/19) | Current<br>(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 <sup>(1)</sup> | 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

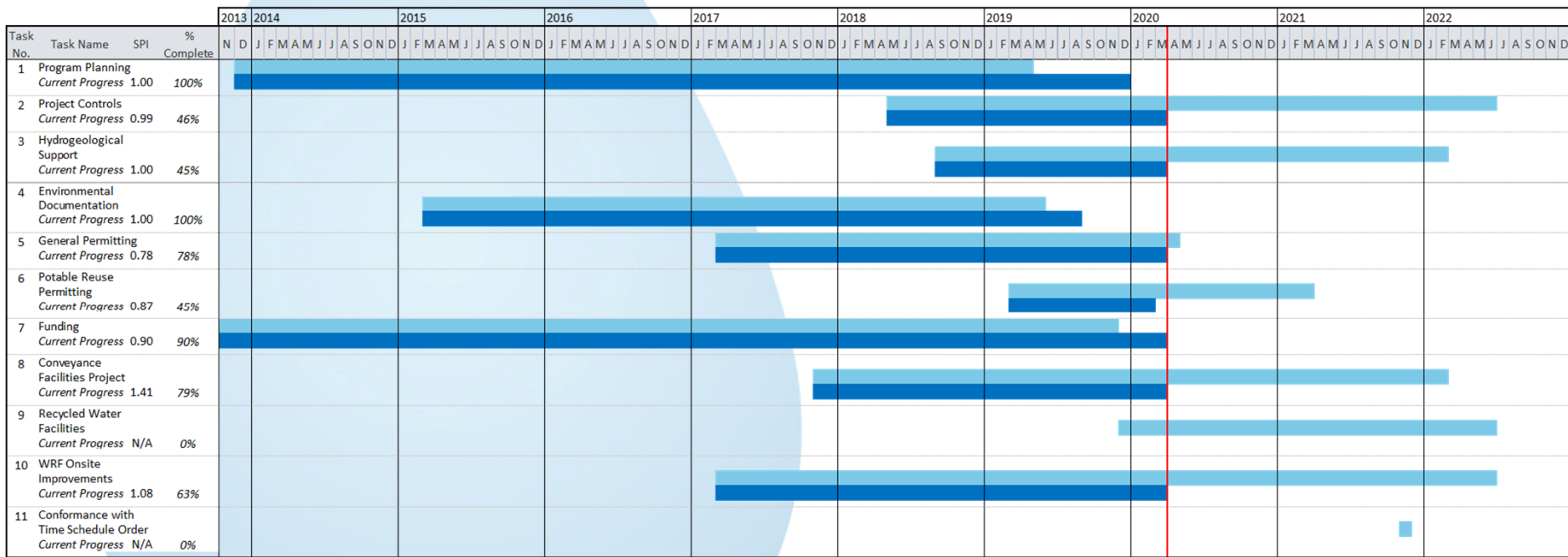
Estimated Cash Flow Projection FY 2013-2024



# 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     | <b>Total Expenditures = \$19,508,000</b> |                       |                               | \$1,446,000               | 5.6%                      |
| Recycled Water Facilities | \$388,000                                | \$ 621,000            | 62.5%                         | \$5,826,000               | 6.7%                      |
| <b>Total</b>              | <b>\$17,610,000</b>                      | <b>\$ 80,358,000</b>  | <b>21.9%</b>                  | <b>\$130,599,000</b>      | <b>13.5%</b>              |

# Schedule overview



Project SPI: 0.94  
Program % Complete: 70%

Baseline Schedule  
Actual Progress-To-Date

# New milestone schedule overview

| Milestone                         | Baseline Schedule<br>due Date | Planned Completion<br>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



# Recommendations

- Receive WRF quarterly update report



# Questions and Discussion



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