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Staff Report for a Resolution Appropriating \$453,000 from the Water Pollution Control Plant Enterprise Fund Unrestricted Fund Balance to the Water Pollution Control Plant Rehabilitation Project, Project No. 08-593-52-239

SUMMARY AND RECOMMENDATIONS

Staff estimates that current funding will be insufficient to complete the Water Pollution Control Plant Rehabilitation (WPCP) project due to delays that have increased the construction time from three (3) to four (4) years. This resolution will appropriate funds needed to administer the construction project due to the delay.

Staff recommends appropriating \$453,000 from the WPCP Enterprise Funds Unrestricted Fund Balance to the WPCP Rehabilitation Project.

BACKGROUND

In August 2011, purchase order #51492 was issued to S.J. Amoroso in the amount of \$40,127,000 for construction work on the WPCP Rehabilitation project that was scheduled to be completed in three (3) years. The nature of the work is such that certain items must be done during the dry season when the volume of water to be treated is lowest. Delays in the work prevented construction scheduled for the summer of 2014 and postponed said work until the spring of 2015, after the wet season. As a result, the estimated completion date of the project is now September 2015. Currently, the WPCP rehabilitation project is 97% complete.

The current delay in completion is likely the result of the following four items:

- PG&E power,
- Cogeneration facility connection,

- Generator installation, and
- Primary clarifier #2 construction.

An analysis to determine causes of the delay and assign delay time to each cause is in progress. Responsibility for the delay hasn't yet been determined but will likely not rest solely with one party, as we anticipate that both the City and Contractor will share delay costs in some proportion. Attributable proportions for each party will not be determined until after construction is complete.

Analysis

The original budget for the construction phase (including construction, construction management, utility costs, permits, inspection, and special inspection) was \$50,000,000 of which 10%, or \$5,000,000, was designated as a contingency fund for unexpected costs.

In November 2013, 1.7% or \$848,957 was added for construction by a budget adjustment, transferring funds from two CIP expenditure accounts as follows:

- \$545,735.05 from an account for WPCP improvements that was created to fund these four items:
 1. WPCP Plant Expansion (property acquisition)
 2. WPCP Improvement Master Planning
 3. Motor Control Center Replacements
 4. Electrical Service Improvements and Peak Wet Weather Flow Improvements

Items 1 and 2 have been completed. Items 3 and 4 will be completed under the current construction contract.

- \$303,222.52 from an account for WPCP boiler replacement that was created to refurbish the boiler system for digesters 1 and 2. The boilers have been replaced and digesters one and two will be rehabilitated under the current construction contract.

In January, 2014, the budget was increased by 5.3% or \$2,650,000 to cover additional disposal costs for excavated soil with unexpectedly high levels of contaminants that could not be disposed of as originally planned.

The delay in completion has had a significant impact on project costs for the City and the Contractor, S.J. Amoroso. Until the responsibility for these costs is negotiated we will cover our staff costs as well as those of our consultants while S.J. Amoroso will cover their added costs and those of their sub-contractors. The approval of an additional appropriation of \$451,000 will cover our project administration costs through project completion.

The Contractor is working on an analysis of the cause and responsibility for the project delay. We will review their analysis for accuracy upon receipt. Only when the analysis is acceptable to both parties will the apportionment of delay costs be known. Until these delay costs are known, there is potential that we will be responsible for costs that may not be covered with the current budget. It is also possible that the Contractor and City will fail to agree upon the delay analysis and delay cost apportionment.

Current Agency Policies

Council Goal D: Maintain and enhance the City's infrastructure.

Previous Actions

- On January 21, 2014, by Resolution No. 2013-339, the City Council appropriated funds from the WPCP Enterprise Fund in the amount of \$2,650,000 for soil removal and disposal costs at the WPCP.
- On July 5, 2011, by Resolution No. 2011-0132, the City Council awarded a construction contract to S. J. Amoroso in the amount of \$40,127,000 for work at the WPCP.
- On July 5, 2011, by Resolution No. 2011-0135, the City Council appropriated funds from the WPCP Enterprise Fund in the amount of \$7,000,000 for construction work at the WPCP.
- On July 5, 2011, by Resolution No. 2011-0136, the City Council appropriated funds from the State Revolving Fund in the amount of \$43,000,000 for construction work at the WPCP.

Applicable General Plan Policies

52.04 Maintain efficient, environmentally sound, and cost-effective wastewater collection and treatment services in San Leandro.

Permits and/or Variances Granted

- City Building Permits have been issued.
- An FAA permit was obtained on March 1, 2012 for the construction of the new Fixed Film Reactor.

Environmental Review

The project was determined to be categorically exempt from CEQA pursuant to section 15301 (b) "Existing Facilities."

Fiscal Impacts

The total cost of the construction phase of the WPCP Rehabilitation project, including extended construction overhead described herein, is \$53,951,000, which is about 8%, or \$3,951,000 over the original budget. The total project cost does not include claim allowances.

Approval of the appropriation listed in the attached resolution will appropriate \$453,000 to the WPCP Rehabilitation project from the WPCP Enterprise Fund Unrestricted Fund Balance. Currently, the unrestricted fund balance for WPCP is almost \$29.7 million. As required by the State loan agreement, \$2.9 million debt service per year for 20 years at 2.6% interest rate, is required to be paid after the project is completed, and the unrestricted fund balance may be used for these annual payments.

Budget Authority

Current appropriations are as follows:

- \$43,000,000 of State Revolving funds in account 593-52-251 appropriated by resolution 2011-0136.
- \$7,000,000 of WPCP Enterprise funds in accounts 593-52-250 and 593-52-252, appropriated by resolution 2011-0135.
- \$2,650,000 of WPCP Enterprise funds in account 593-52-229, appropriated by resolution 2013-339.
- \$545,735 of WPCP funds in account 593-52-252, originally appropriated to account 593-52-209 as part of the FY 2004-05 budget.
- \$303,222 of WPCP funds in account 593-52-252, originally appropriated to account 593-52-236 as part of the FY 2007-08 budget.

An appropriation of \$453,000 from the WPCP Enterprise Fund Unrestricted Fund Balance is requested and will be authorized by the attached resolution, if approved. These funds will be added to the existing balance in Account No. 593-52-252.

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