

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

<p>(1) DEPARTMENT Public Works</p>	<p>(2) MEETING DATE 1/28/2014</p>	<p>(3) CONTACT/PHONE John Waddell, Los Osos Wastewater Project Manager (805) 788-2713</p>	
<p>(4) SUBJECT Update on the Los Osos Wastewater Project and approval of recommendations on: 1) a budget adjustment in the amount of \$9,981,407 from unanticipated revenues and authorization for the Auditor-Controller-Treasurer-Tax Collector to make short-term loans between County funds; 2) collection system approvals including authorization to use existing construction contract contingencies for roads restoration and approval of Amendment No. 2 with HDR Engineering, Inc. in the amount of \$2,840,642; and 3) a resolution extending rebates for the Project Water Conservation Program, and approval of right of way documents securing an easement from Crizer for an amount of \$4,850 for the Los Osos Wastewater Project, Los Osos, CA. District 2.</p>			
<p>(5) RECOMMENDED ACTION It is our recommendation that your Board:</p> <ol style="list-style-type: none"> <li>1. Consider and approve the following actions related to the Project Budget:             <ol style="list-style-type: none"> <li>a. Authorize a budget adjustment in the amount of \$9,981,407 from unanticipated revenues to Fund Center (FC) 430 – Los Osos Wastewater Project by a 4/5 vote; and</li> <li>b. Authorize the Auditor-Controller-Treasurer-Tax Collector (Auditor) to make internal short-term cash-flow loans to support cash flow requirements that result from reimbursement processing timelines. In addition, waive the Board's adopted requirement to have repayment occur by the end of the fiscal year; and</li> </ol> </li> <li>2. Consider and approve the following actions related to the collection system construction:             <ol style="list-style-type: none"> <li>a. Authorize the use of existing contract contingencies for the Collection System Areas A&amp;D Contract No. 300448.08.01.AD for costs related to additional material quantities for road restoration and repaving necessary for the work; and</li> <li>b. Authorize the use of existing contract contingencies for the Collection System Areas B&amp;C Contract No. 300448.08.01.BC for costs related to additional material quantities for road restoration and repaving necessary for the work; and</li> <li>c. Approve the attached amendment No. 2 to the agreement for professional engineering services with HDR Engineering, Inc. in the amount of \$2,840,642 (increasing the total authorized agreement amount from \$6,891,632 to \$9,732,274) for construction management services during construction of the Collection System and direct your Board Chair to execute; and</li> </ol> </li> <li>3. Consider and approve the following additional other actions:             <ol style="list-style-type: none"> <li>a. Adopt the attached Resolution Extending Year 1 Rebates of the Water Conservation Implementation Plan for the Los Osos Wastewater Project through 2014; and</li> <li>b. Approve and execute the Real Property Transfer Agreement in an amount of \$4,850; accept the accompanying Public Road and Slope Easement Deed by execution of the attached Certificate of Acceptance, and direct the Clerk to record the Deed and return copies of the executed Agreement and recorded Deed to the Department of Public Works for completion of the transaction; and</li> <li>c. Authorize the Public Works Director, or his designee, to execute any remaining escrow and payment related documents or instructions necessary to close the transactions associated with this real property interest.</li> </ol> </li> </ol>			
<p>(6) FUNDING SOURCE(S) Fund Center 430</p>	<p>(7) CURRENT YEAR FINANCIAL IMPACT Proj Est: \$2,045,979</p>	<p>(8) ANNUAL FINANCIAL IMPACT N/A</p>	<p>(9) BUDGETED? Yes</p>
<p>(10) AGENDA PLACEMENT <input type="checkbox"/> Consent   <input type="checkbox"/> Presentation   <input type="checkbox"/> Hearing (Time Est. ___)   <input checked="" type="checkbox"/> Board Business (Time Est. <u>85 mins.</u>)</p>			
<p>(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions   <input checked="" type="checkbox"/> Contracts   <input type="checkbox"/> Ordinances   <input type="checkbox"/> N/A</p>			
<p>(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) 19001375</p>		<p>(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1314091 <input checked="" type="checkbox"/> 4/5 Vote Required   <input type="checkbox"/> N/A</p>	

(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: 12/17/13, Item #23
(17) ADMINISTRATIVE OFFICE REVIEW		
(18) SUPERVISOR DISTRICT(S) District 2 -		

Reference: 14JAN28-BB-1

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

John Waddell, Los Osos Wastewater Project Manager

Paavo Ogren, Director of Public Works

DATE: 1/28/2014

SUBJECT: Update on the Los Osos Wastewater Project and approval of recommendations on: 1) a budget adjustment in the amount of \$9,981,407 from unanticipated revenues and authorization for the Auditor-Controller-Treasurer-Tax Collector to make short-term loans between County funds; 2) collection system approvals including authorization to use existing construction contract contingencies for roads restoration and approval of Amendment No. 2 with HDR Engineering, Inc. in the amount of \$2,840,642; and 3) a resolution extending rebates for the Project Water Conservation Program, and approval of right of way documents securing an easement from Crizer for an amount of \$4,850 for the Los Osos Wastewater Project, Los Osos, CA. District 2.

## **RECOMMENDATION**

It is our recommendation that your Board:

1. Consider and approve the following actions related to the Project Budget:
  - a. Authorize a budget adjustment in the amount of \$9,981,407 from unanticipated revenues to Fund Center (FC) 430 – Los Osos Wastewater Project by a 4/5 vote; and
  - b. Authorize the Auditor-Controller-Treasurer-Tax Collector (Auditor) to make internal short-term cash-flow loans to support cash flow requirements that result from reimbursement processing timelines. In addition, waive the Board's adopted requirement to have repayment occur by the end of the fiscal year; and
2. Consider and approve the following actions related to the collection system construction:
  - a. Authorize the use of existing contract contingencies for the Collection System Areas A&D Contract No. 300448.08.01.AD for costs related to additional material quantities for road restoration and repaving necessary for the work; and
  - b. Authorize the use of existing contract contingencies for the Collection System Areas B&C Contract No. 300448.08.01.BC for costs related to additional material quantities for road restoration and repaving necessary for the work; and

- c. Approve the attached amendment No. 2 to the agreement for professional engineering services with HDR Engineering, Inc. in the amount of \$2,840,642 (increasing the total authorized agreement amount from \$6,891,632 to \$9,732,274) for construction management services during construction of the Collection System and direct your Board Chair to execute; and
3. Consider and approve the following additional other actions:
    - a. Adopt the attached Resolution Extending Year 1 Rebates of the Water Conservation Implementation Plan for the Los Osos Wastewater Project through 2014; and
    - b. Approve and execute the Real Property Transfer Agreement in an amount of \$4,850; accept the accompanying Public Road and Slope Easement Deed by execution of the attached Certificate of Acceptance, and direct the Clerk to record the Deed and return copies of the executed Agreement and recorded Deed to the Department of Public Works for completion of the transaction; and
    - c. Authorize the Public Works Director, or his designee, to execute any remaining escrow and payment related documents or instructions necessary to close the transactions associated with this real property interest.

## **DISCUSSION**

In accordance with Assembly Bill 2701 (2006 – Blakeslee), the County has been formally responsible for working on the Los Osos Wastewater Project since January 2007. After five of years in developing the Project scope, establishing Project funding, obtaining needed permits, and preparing construction documents, the Project initiated construction in May of 2012.

At this time, approximately 80% of the Project's collection and recycled water distribution systems, which will total 49 of miles of pipes, is complete. The pipeline contractors are scheduled to be substantially complete with their work in July of 2014. The pump system contractor, who will construct and install 21 pumping stations, which range from 10 gallons per minute (gpm) to 2,300 gpm facilities, initiated work this month and is scheduled to be substantially complete by February 2015. The water recycling facility (a.k.a. the treatment plant) is recommended for award, as a separate agenda item, and work is scheduled to be complete in early 2016. Between completion of pump stations and the water recycling facility, staff will work with property owners so that their on-site laterals can be constructed and ready to connect to the Project at the time that the water recycling facility is in the "start-up" phase to the greatest extent practical to maximize initial flows, while recognizing that many property owners will not be able to construct laterals until after the Project starts-up due to conflicts with existing septic systems.

### **Project Budget**

The total Project budget of \$173.4 million approved in 2011 was substantially based on cost estimates developed in 2007 when the Proposition 218 assessment vote was conducted and approved by 80% of the property owners. Estimates at that time were based on macroscopic (big-picture) estimates based on overall project sizing; with relatively large estimates for contingencies incorporated into cost estimates to account for Project details that were yet to be developed. Since 2007, Project estimates have been refined as various work elements have been developed in greater

detail, with corresponding reductions in contingencies as budget allocations have been transferred to the various line items in the budget.

In addition to developing overall project cost estimates in 2007, the “monthly cost estimates” were also developed to provide property owners with our best estimate of the fiscal impact that the Project will have on them. This dual approach of developing a) overall project cost estimates and b) an estimate of property owner’s monthly cost provides two bench-marks to measure the Project’s fiscal outcomes.

Upon initiating Project efforts, we sought to emphasize that the ability to minimize monthly impacts to property owners would be more reliant on developing favorable financing terms for project debt and in pursuing grant revenues. Although we believe that a budget adjustment is necessary at this time to increase the overall Project budget by approximately \$10 million from \$173.4 to \$183.4 million, the additional funds are coming from grant revenues that have been approved. In comparison, monthly cost estimates were estimated at \$200 per month in 2007 when property owners voted and approved assessments, and \$194 in 2010 when the “rates and charges” ordinance was approved. Currently the monthly cost estimate is \$165 per month. As hoped, the reduction in monthly cost estimates in comparison to original estimates has been a result of favorable financial terms from the State Water Board and the U.S. Department of Agriculture, grants, and supporting federal legislation sponsored by Congresswomen Lois Capps.

Attachment “A” provides a discussion of the factors leading to the recommended budget adjustment and illustrates how monthly cost estimates for property owners have been updated as work efforts have progressed. The cost of the water recycling facility is the single greatest factor, but higher costs for professional engineering services that are helping to provide construction management and project oversight have also contributed. Together they total more than the requested budget adjustment since other costs on the collection system portion of the Project have proved less than originally anticipated. In addition, Attachment “A” discusses the need for cash-flow requirements since the loan revenues from the State Water Board are disbursed on a reimbursement basis after the County has paid the contractors.

### Collection System Construction

The collection system portion of the Project is currently in construction under two separate contracts that cover four “Areas.” The four Areas were developed based on system hydraulics but combined for construction purposes into two contracts. Since the two contractors have as many as five crews operating at any one time, the need to limit construction to two contractors helped avoid incompatible conflicts between contractors while still promoting competition during the bidding process. Recommendation No. 2 includes several action items related to the collection system construction, including authorizing contract contingencies to be used for additional costs of road restoration, and an amendment to the agreement for construction management of the collection system construction due to a longer construction duration than originally estimated. Discussion of the recommended actions is provided in Attachment “B.”

The following is a summary of the two pipeline contracts:

Collection Areas	Contract Bid Amount	Authorized Construction Contingencies	Total Authorized Amount
Areas A&D	\$26,223,855	\$2,622,385	\$28,846,240
Areas B&C	\$29,425,000	\$2,942,500	\$32,367,500

### Other Recommendations

Attachment "C" provides a discussion on the additional recommendations, which include an extension of the rebate incentives included in the water conservation program that has been developed for converting existing toilets and other water fixtures to low and ultra-low-flow fixtures. This is a component of the Water Conservation Implementation Plan which was approved by your Board on October 23, 2012.

In addition, recommendations for approval of an easement with the owners of a parcel at the corner of 4<sup>th</sup> Street and Ramona Avenue, which is needed to perfect encroachment rights for the roadway and underlying sewer line, are also included and discussed in Attachment "C."

### **OTHER AGENCY INVOLVEMENT/IMPACT**

The U.S. Department of Agriculture (USDA) and State Water Resources Control Board are jointly financing the Project. Numerous other federal, state and local agencies are involved in the Project. The Auditor-Controller-Treasurer-Tax Collector has provided guidance on recommendations related to budget and cash flow needs of the Project. County Counsel is providing legal guidance on all aspects of the Project and has approved the relevant attachments as to legal form and effect.

### **FINANCIAL CONSIDERATIONS**

The recommended budget adjustment includes the costs of all of the other recommendations presented in this Board letter. The adjusted budget of \$183.4 million includes contract contingencies of approximately \$9.7 million for the various engineering and construction contracts, as well as, a project contingency of \$4.1 million. The Project is financed with State and Federal loans and \$21.6 million in grants. Project funding for repayment of the loans is provided through special assessments of \$126.7 million (\$10 million prepaid) and sewer service charges of \$35.1 million. The estimated average cost to be billed by the County for a single family residence, assuming that all project contingencies are expended, is \$165 per month.

The unanticipated grant revenues that support the budget adjustment include \$5,645,444 awarded by the State Department of Water Resources under the Proposition 84 Integrated Regional Water Management Program and \$4.0 million awarded by the State Water Board under its Water Recycling grant program.

Exhibits "A," "A1" and "A2" provide a detailed break-out of the budget and project cost estimates.

## **RESULTS**

Approval of the recommended actions will provide necessary budget, administrative, and contracting measures, which continue the progress toward a community wastewater project and recycling facilities for Los Osos. Completion of the Project will contribute to the County's goals of promoting safe, healthy and livable communities.

File: Los Osos WWP 300448.00.1.4

Reference: 14JAN28-BB-1

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## **ATTACHMENTS**

1. Vicinity Map
2. Construction Status Update
3. Exhibit A - Project Cost Estimate
4. Exhibit A1 - Budget Adjustment Comparison
5. Exhibit A2 - Project Cost to Date
6. Attachment A - Budget Recommendations Discussion
7. Attachment B - Collection System Recommendations Discussion
8. Attachment C - Other Recommendations Discussion
9. Resolution Extending Year 1 Rebates of the Water Conservation Implementation Plan for the Los Osos Wastewater Project Through 2014
10. Real Property Transfer Agreement
11. Public Road and Slope Easement Deed/Certificate of Acceptance
12. Amendment No. 2 to Agreement for Professional Engineering Services with HDR Engineering, Inc.