



AGENDA NO: II

MEETING DATE: November 6, 2019

**AGENDA CORRESPONDENCE
RECEIVED BY THE CITY COUNCIL
FOLLOWING POSTING OF THE AGENDA IS ATTACHED
FOR PUBLIC REVIEW PRIOR TO THE MEETING**

Dana Swanson

From: Bart Beckman [REDACTED]
Sent: Tuesday, November 05, 2019 12:32 PM
To: Council
Cc: Dana Swanson; William Bowes; Scott Collins
Subject: Comments recommending further negotiations be held with Carollo
Attachments: No recommendation to Carollo contract, Rev 1.docx

City Council,

Please find attached my comments relative to the Carollo contract Addendum. I believe that further discussion/negotiation should be held with Carollo.

I wholeheartedly support Council member Heller who suggested that the Critical Path Schedule be made available to the Council and CFAC who is tasked with advising the Council. Clearly the schedule has a major impact on the cost - such as the Overland contract.

If the distributed schedule filters out work completed through 2018, it is a very manageable document. In April, of the then 524 line items, 390 of those were either complete or were summary line items. I was given a copy of this, but since other members of CFAC did not have it, I was prohibited from discussing it.

Dana, Please include this document with the agenda correspondence for the November 6, 2019 City Council Meeting.

Respectively submitted,

Bart Beckman

November 5, 2019

I strongly encourage the City Council to not approve the significant increase to the Carollo contract through the submitted Addendum. Additional discussion is appropriate.

I had been greatly encouraged when the City Council made the decision to find an alternative to MKN who seemingly had an incentive to lengthen the Project Schedule and to have the Public Works Director focus his full-time efforts on addressing the aging infrastructure. Certain members of the Council also indicated a need to incorporate incentives into any new contract.

Fast forward: We have a different contractor with the same incentive to lengthen the schedule; incentives have been rejected; and the Public Works Director is focused on the management of the WRF Project and not the infrastructure.

1. **Quintana Road corridor** Carollo argues that an additional \$576,000 is required for Public Outreach due to the alignment decision to use Quintana. This was KNOWN and in fact argued against by many including WRFCAC.
2. **Outfall Plan** Carollo argues that no one could have known about the issues associated with Cayucos not being part of the Outfall Plan. The Cayucos EIR, prepared by the same firm who developed the Morro Bay EIR, noted the Morro Bay Wastewater Treatment Plant would be IN COMPLIANCE when Cayucos completed their facility.
3. **Conveyance/Recycle Schedule Overlap** The Carollo issue of the Conveyance and Recycled components now not being in alignment does not seem plausible. The largest savings in the Program identified by Carollo was when the two sets of lines were aligned using the same trench.
4. **Project Schedule** Carollo was hired to manage the schedule and anticipate and react to issues. When Carollo assumed control, the construction start date was April 2019. That date now may be as late as February 2020. Thus, when Carollo took over, the schedule cushion to the February 2023 full compliance date was approximately 18 months. That cushion has been reduced to possibly 11 months assuming a Notice To Proceed in a month.
5. **Cost Forecast** The forecasted cost of this Project is unknown – all details are kept secret. The City and Carollo continue to procrastinate on reconciling the Carollo estimate with the City Budget.
6. **Permits.** Carollo and the City have indicated that we can move forward without owning the property and building permits are not required. Are all other requirements in place other than the WIFIA issues? Air Quality permit, CalTrans easements, SRF signed contract, Coastal Commission requirements such as the Outfall Plan, and others identified by WRFCAC.

Respectively submitted, Bart Beckman, Citizen of Morro Bay

Appendix to Recommendation to Reject Carollo Addendum

1. Quintana Road Corridor

As stated above, this corridor was known and using it was the basis of concern at the time. WRFAC suggested going across the highway and south to avoid this. Carollo would have been part of the discussion to use Quintana. Did they point out that going there would add almost \$600,000 of costs to manage this option – to Carollo?

2. Outfall Plan

This never hit the radar until the Coastal Commission published the agenda for the review meeting. The agenda included this requirement. It had never been flagged as a possible concern prior to that in any monthly report. Is there a cost to developing this plan?

Did anyone in the City read the Cayucos EIR to know they had a statement saying the plant would be in compliance after Cayucos redirected their flows?

3. Conveyance/Recycle Schedule Overlap

We have no cost information on the costs associated with combining the piping to the WRF with that coming from the WRF. We were advised this had a net decrease – a good thing. But that would seemingly only be true if the work were to be done at the same time. So, it does not make sense that apparently this work is not being done in concert. Does that mean that the construction savings will also not materialize and they will increase as well as the suggested Carollo construction management costs?

4. Project Schedule

At the October 22, 2019 City Council Meeting, Carollo stated that CFAC had been provided with the detailed schedule(s). What was done, was on or about April 20, 2019, Carollo provided to Bart Beckman one copy of the schedule – and yes, it is a Critical Path Schedule.

When I started to refer to this schedule in the next CFAC meeting, I was stopped as the full committee did not have this document. And we (I) could not convince CFAC this was a valuable tool to use for cost management. Thus, it basically doesn't exist to CFAC. Note that Carollo referenced this schedule in, I think the same meeting, and argued they were "actively" managing 524 individual line items. Note that when I went back to review this "active" management of 524 items, I found that 390 of them were items already complete or were "roll-up" items – summary line items.

Secondly, in the same (10/22/19) Council Meeting, Carollo stated that CFAC had been advised several times in the previous months that there might be some schedule slip concerns. Not only is this not true, I specifically had pointed out my concern in prior meetings that the ONLY issues of concern in ANY of the reports prior to the 3rd Quarter Report was relative to issues with access to Vistra and PG&E property. This October report was the FIRST time any schedule concern had been addressed.

This non-disclosure is more disconcerting when it is noted that mobilization was scheduled to occur in August 2019 – on the “secret schedule”. So, 3 months after missing a major milestone was the first time there was any mention of a schedule concern. And in this October 15, 2019 CFAC meeting, Carollo stated they were hopeful they would still start construction on October 22, 2019.

The Carollo contract indicates they will participate in MONTHLY discussions with the EPA regarding the WIFIA loan. How then did they not know there was a concern prior to receiving the letter dated October 10? Is Carollo arguing that the memo from the EPA was a complete surprise? And this stipulates a letter dated October 10 had not been received by October 15.

Given that Carollo is our management lead, how are they defending allowing the Overland contract to be renegotiated. In a meeting in 2018, the Public Works Director said it was virtually impossible to not start before this clause would kick in. (This was in the City Library to a question by me who noted the schedule issue.)

Also, there does not appear to be anything in this Addendum to incentivize Carollo to stay on the new schedule – whatever that might be. So, do they count from October 10 or 16 to whenever the WIFIA issues get resolved to tack on more costs?

Who reviews the schedules and how often? Do these individuals go into the detail? Refer to 7 below.

5. Cost Forecast

I have no confidence that the current forecast is still \$126 M with contingency based on items referenced above and the following.

Other than the list of PCOs for the “cost not to exceed” Overland contract, many cost details are hidden. Carollo has split out their costs, so that we couldn’t see their part of the estimate was \$7.6 M. They argue that adding \$2 M for the items they identified will not change the forecast?

The City Budget identified some significant costs including \$1 M for electricity. When Carollo was asked if they had included all of the City costs in a CFAC meeting, the answer was, “yes”. In a follow-up question referring to the delineated items in the City Budget,

Carollo clearly had no idea – Ms. Calloway had to show Carollo the page from the Budget.

This concern of mine could be resolved if the City and Carollo would allow a reconciliation. Bill Bowes and I have made numerous requests to have this done. I will concede that Bill believes the result would be that the forecasts are still within the \$126 M whereas I don't.

6. Permits

Mobilization was to have started in August or on October 22 of 2019.

Thus, discounting the WIFIA issue, it should be assumed that all other permits would be in hand:

1. SRF Loan documents
2. Air Quality Permit
3. Site grading and building permit – apparently not required
4. Easements from CalTrans – especially at South Bay Blvd
5. Release from the Coastal Commission that all of their requirements have been met – it is certainly possibly the Outfall Plan is not required prior to starting construction?
6. Purchase agreement(s) – apparently these are also not required?
7. WRFCAC members, who are much more experienced than I have noted several other permits – Carollo is being paid to anticipate all of these issues, especially if they are given advice about them.

Is the Council convinced that ALL required documentation is in place to begin mobilization as soon as the EPA issue(s) is resolved?

Carollo Addendum: *Between November 28, 2018, and August 2019, Carollo has helped the City reach several key milestones for the WRF Project including:*

- *Approval of a Coastal Development Permit (CDP) from the California Coastal Commission*
- *Placement on the FY 19/20 CWSRF Fundable List for a total of \$105 million (including \$5 million in grant funding)*
- *Completion of the FEIR Addendum*

We do NOT have a Coastal Development Permit.

Does being on a list equate to having a contract in place to draw funds from?

The entire Project is being held up due to an EIR concern.

Dana Swanson

From: William Bowes
Sent: Tuesday, November 05, 2019 3:36 PM
To: John Heading; Marlys McPherson; Robert Davis; Dawn Addis; Jeff Heller
Cc: Dana Swanson; Scott Collins; Rob Livick; Jennifer Callaway
Subject: Letter to CC

Mayor and Council Members:

1. I strongly recommend you do not approve having Mr. Livick sign the Carollo amendment 2 until there is some sort of ceiling on Carollo costs for the entire project.
2. Amendment 2 establishes an NTE amount of \$2,381,968 in addition to the previous funded amounts, bringing the total to \$4,280,916. Amendment 2 states that approximately \$452,660 will be carried over to FY 2020/21. This means the NTE amount is a number 19% lower than the expected expenditures. THIS IS NOT AN NTE THAT IN ANY WAY INCENTIVIZES CAROLLO to control costs.
3. Amendment 2 contains explanations for an additional \$1,152,500 and another for an additional \$1,157,894 bringing the total project Carollo costs to \$10,475,394. Last page of amendment 2 is a chart showing the FY 19/20 Re-Baselined Budget for Carollo's costs as \$9,778,561. What is the real total WRF project costs for Carollo?
4. Carollo projected costs have grown from \$7,642,00 to either \$9,778,561 or \$10,475,394. This is either a 27% or 38% cost growth, and both of these estimates assume project completion by Dec 2022.
5. Amendment 2 requires an amendment 3 for July 2020 to June 2021, and an amendment 4 for July 2021 to June 2022, amendment 5 for July 2022 until June 2023 (current date for completion of recycled water facilities).
6. Stop having an amendment each year for funding. Put an amendment in place to fund the entire Carollo remaining work on the project, and then only if needed have follow-on amendments.

Recommend converting to a total project T&M contracting approach that has an NTE with positive and negative incentives for underrunning or overrunning the \$126 million total project cost ceiling. This is time to make that change.

Very respectfully

William C. Bowes

Dana Swanson

From: Lynda Merrill [REDACTED]
Sent: Wednesday, November 06, 2019 6:39 AM
To: Council
Subject: Needs to be done, Special meeting 11/6/2019, Approve Amendment 2

Dear Mayor Headding and Councilmembers :

We have studied this Amendment to the project and find it explains thoroughly the need for this increase. There continues to be complex additions to the scope of work due to many complaints from the public as well as other factors. We support the addition of this increased amount for Carollo Engineers, Inc. for their excellent, well qualified firm's contract. We appreciate the work this company has done under difficult circumstances and hope for smooth sailing as the project continues. We have a long way to go and do not need 'monkey wrenches' thrown at the project. Thank you all for your dedication to getting us the best and most affordable project possible. We are impressed with the work to date. Please, do not delay and approve this needed Amendment.

**Sincerely, Lynda and Frank Merrill
35 year , senior, residents.**

APPROVAL OF AMENDMENT NO. 2 TO THE WATER RECLAMATION FACILITY PROGRAM MANAGEMENT CONTRACT AND AUTHORIZATION FOR THE PUBLIC WORKS DIRECTOR TO SIGN THE AGREEMENT RECOMMENDATION: Staff recommends the City Council approve, and authorize the Public Works Director to sign, Amendment No. 2 (Attachment 1) to the existing agreement with Carollo Engineers, Inc., (Carollo) dated April 11, 2018, for continued program management of the Water Reclamation Facility (WRF) Project in an increased amount of \$2,381,968.

Dana Swanson

From: Rosalie Valvo [REDACTED]
Sent: Wednesday, November 06, 2019 10:20 AM
To: Council
Subject: Approve Amendment 2

I have't been following all the details of the project closely. I just know that it needs to be done. Delays will only add to the cost. Please proceed as necessary despite distractions.

Rosalie Valvo
Long-time Morro Bay Resident