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Project Status

- FBV is in final stages of project close-out activity
 - All PCOs have been submitted
 - Punch list is complete with exception of 1 item, expected to be completed by end of March
- Notice of Substantial Completion issued per City approval January 24, 2024 which requires the City to release of \$212k of remaining retention.
 - Retention tied to punch-list items to be completed prior to close-out

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Project Close-Out Considerations

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Current WRF GMP and Budget

Current GMP
(Amendments 1-9)



WRF Max Budget



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Outstanding PCOs and Claims

PCO #	Title	Costs
122	Delay #2 (Beyond Seed Sludge Maint Period)	\$125,103.40
123	Delay #3 (DDW Issues - UV / AOP Challenge Test Delay)	\$1,328,315.14
126	V-Ditch Site Security Requirements (FBV Claim)	\$80,089.00
131	SWPPP and Storm Clean-up Costs (January 2023)	\$181,178.48
138	V-ditch Failures, Repairs, Redesign (Claim)	\$669,467.37
139	SRF Billings	\$38,723.07
TOTAL =		\$2,422,876.46

- PCO 126, 131, 139 have merit for a total value of \$299,990.25.
- PCO 122 has been unresolved for a year; merit of claim TBD.
- Total value of 122, 126, 131, 139 = \$425,093.25
- Carollo has transmitted extensive comments to FBV on PCO 123 and 138.
- Total Value of 123 and 138 = \$1,997,782,.51



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Outstanding PCOs and Claims

PCO #	Title	Costs
122	Delay #2 (Beyond Seed Sludge Maint Period)	\$125,103.40

- Initial seed sludge biology was significantly weakened due in part to a lack of sufficient food and development of unfavorable water quality conditions.
- On October 11th, there was a slug of poor-quality raw wastewater from the City's existing plant that overwhelmed and killed the biology at the WRC requiring a re-seeding of the plan



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Outstanding PCOs and Claims

PCO #	Title	Costs
123	Delay #3 (DDW Issues - UV / AOP Challenge Test Delay)	\$1,328,315.14

- The Department of Drinking Water (DDW) required additional testing in two phases for the UV system of the WRC
- This testing was outside of the initial permit requirements and required extensive testing, reporting, meetings, and analysis from FBV
- The claim for this extended period of work is the delay it caused FBV having to remain on site while still performing the additional UV/AOP challenge testing per DDW requirements.

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Outstanding PCOs and Claims

PCO #	Title	Costs
126	V-Ditch Site Security Requirements (FBV Claim)	\$80,089.00

- At the intersection of the V-ditch drainage system of the WRC site, there is a gap between the bottom of the site security fence and the V-ditch
- The City requested that FBV add a welded wire mesh screen to this opening as a site security feature.

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Outstanding PCOs and Claims

PCO #	Title	Costs
131	SWPPP and Storm Clean-up Costs (January 2023)	\$181,178.48

- The 2022-2023 rainy season proved to be an above average rainfall event for the City of Morro Bay.
- This PCO covers the additional compensation for the additional storm measures, SWPPP replacement and post storm cleanup related to the unforeseen rain impacts.



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Outstanding PCOs and Claims

PCO #	Title	Costs
138	V-ditch Failures, Repairs, Redesign (Claim)	\$669,467.37

- On January 9th, 2023, the City experienced a significant rainfall and runoff event that caused significant erosion and structural damage to the newly constructed V-ditch drainage system at the WRC.
- FBV made design improvements to prevent any back channeling erosion of the V-ditch foundation and to improve the soil and structure interface of the drainage feature.
- FBV re-hydroseeded the hillside as well as installed a temporary irrigation system to ensure that the hydroseed established.



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Outstanding PCOs and Claims

PCO #	Title	Costs
139	SRF Billings	\$38,723.07

- The SRF construction loan required a complete change to FBV's monthly billing for the project.
- This required a significant effort from FBV's project administration staff to collate all of the task codes to the respective SRF line item.

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Status of Discussions: PCO 123 & 138

- City team has provided two rounds of comments and has received responses from FBV
- Significant gap remains between City position on basis and merit and FBV position and response

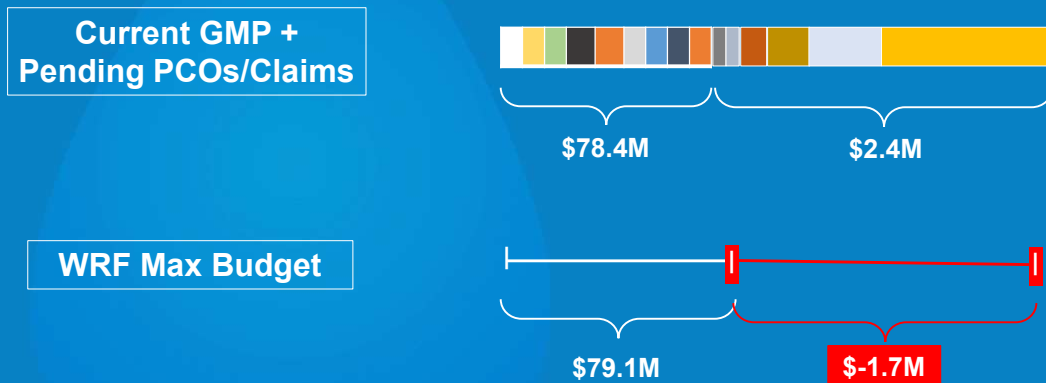
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Implications of Unresolved Discussions: PCO 123 & 138

- Current GMP stands at \$78.4M
- In Summary:
 - PCOs with merit (122, 126, 131, 139) would add +/- \$0.4M (would increase the GMP to \$78.8M)
 - PCO/Claims 123 and 138 could increase GMP up to \$2M in addition to PCOs 122, 126, 131 & 139 (could increase the GMP to \$80.8M)
- Current maximum authorized budget for the WRF is \$79.1M

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Current WRF Budget vs. Total Potential Remaining PCOs & Claims (Worst Case)



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Potential Mediation Outcome Scenarios for PCO/Claim 123 &138

		HIGH SCENARIO	MEDIUM SCENARIO	LOW SCENARIO
PCO #	Title	Full Costs	Remove V-Ditches	Reduced all by 50%
122	Delay #2 (Beyond Seed Sludge Maint Period)	\$125,103	\$125,103	\$62,551
123	Delay #3 (DDW Issues - UV / AOP Challenge Test Delay)	\$1,328,315	\$1,328,315	\$664,157
126	V-Ditch Site Security Requirements (FBV Claim)	\$80,089	\$80,089	\$40,044
131	SWPPP and Storm Clean-up Costs (January 2023)	\$181,178	\$181,178	\$90,589
138	V-ditch Failures, Repairs, Redesign (Claim)	\$669,467	\$0.00	\$334,733
139	SRF Billings	\$38,723	\$38,723	\$9,361
TOTAL		\$2,422,876	\$1,753,409	\$1,211,438

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Potential Changes to GMP

	PCO Amount	Current GMP	New GMP
High Scenario	\$2.4M	\$78.4M	\$80.8M
Medium Scenario	\$1.8M	\$78.4M	\$80.2M
Low Scenario	\$1.2M	\$78.4M	\$79.6M

*Each scenario would result in an increase to GMP
(consistent with all previous Amendments)*

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Assessment of Closeout Scenarios

- **High** – Unlikely; FBV PCOs leave room to challenge/negotiate
- **Med** – Most likely; potential to negotiate FBV PCO numbers down by \$500 to \$700k.
- **Low** – Least likely; FBV will rigorously challenge reduction of PCOs by 50%.

None of the scenarios result in favorable outcome for the City

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FBV Offering for Close Out Settlement

- ✓ FBV's initial offer was \$79.1M.
- ✓ The \$79M value the City negotiated is acceptable to FBV as final contract close out value
- ✓ Current Authorized Budget for the WRF: \$79.1M

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Contractual Considerations for Closeout Settlement

- Project Management Team and FBV agree that Final GMP contract amount of \$79M fully compensate FBV for all services required to fulfill contract
 - Agreement aligns with Contract (Article 6 Payments and Completion)
 - Section 6.1: Cost Plus with Guaranteed Not to Exceed Amount
 - Section 6.11.7 Final Payment

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Recommendation

- Accept FBV offer for closeout settlement at \$79.0M.
- Revise Final GMP to contract budget amount of \$79.0M via Amendment 10

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No Fiscal Impact to the Current WRF Program Budget

Current FBV Contract Amount	\$78,424,326
Settlement Amount	\$575,674
Proposed Final FBV Contract Amount	\$79,000,000
WRF Project Budget	\$79,123,216

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Water Resources Funding Plan

Current Funding Sources	
SRF Planning Grant	\$4.5M
WIFIA Total	\$33M
SRF Construction Loan & Amendment	\$41.0M With Amendment in Progress
Funding Total	Approx. \$79M

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Questions and Discussion

wrfinfo@morrobayca.gov

877-MORROBAYH2O (877-667-7622)

morrobaywrf.com

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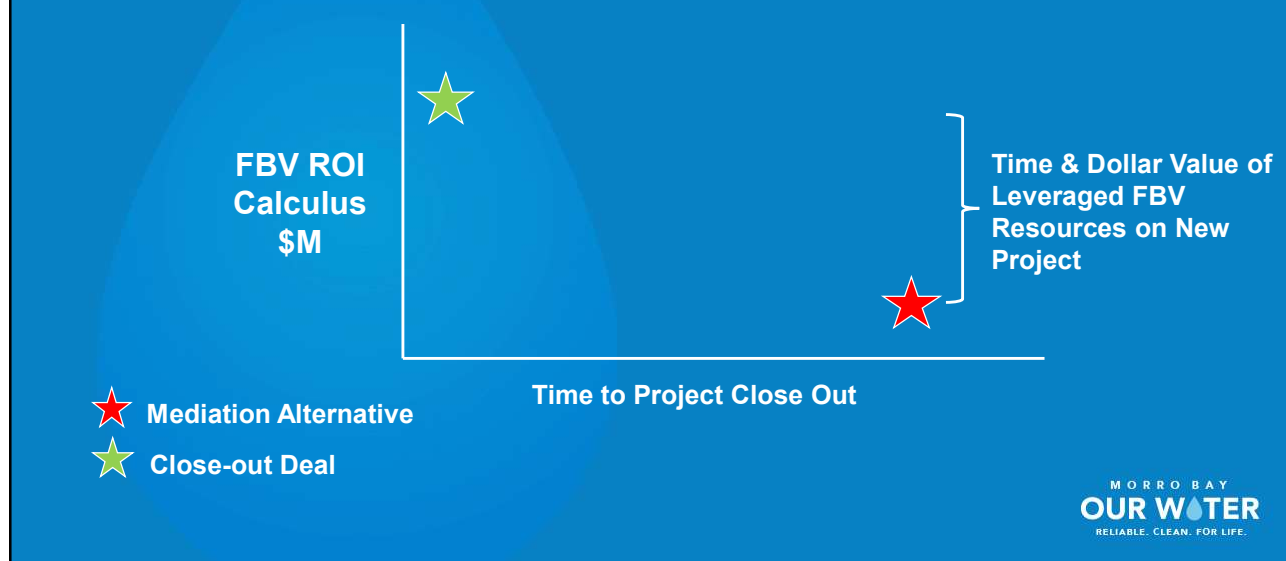
Contractual Considerations for Closeout Settlement

- Mediation is not required to finalize the Close Out settlement
- Mediation is only required if one of the parties is requesting mediation.
 - Contract Article 10 Disputes and Claims – Section 10.1: Dispute and Claim Procedures

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Why Would FBV Accept Settlement Offer at Significant Savings to City?



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