



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: PW/LCSD
Department No.: 054
For Agenda Of: 8/18/2020
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Directors, Laguna County Sanitation District
FROM: Department Scott D. McGolpin, PE, Director, Public Works
Director(s)
Contact Info: Leslie Wells, Deputy Director, Public Works (805) 882-3605
Julie A. Hagen, CPA CPFO, Deputy Director, Public Works, (805)
568-3010
SUBJECT: Laguna County Sanitation District Wastewater Reclamation Plant Phase 1
Upgrade and Fund Balance Policy – Third and Fourth Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Directors:

- a) Approve plans and specifications for the Phase 1 plant upgrade project, Project No. PLEXP1, on file in the Laguna County Sanitation District office;
- b) Award the construction contract in the amount of \$53,063,500 to the lowest responsible bidder, W.M. Lyles Company, Incorporated, (not a local vendor), 1210 West Olive Avenue, Fresno, CA 93728, subject to the provision of documents and certifications as set forth in the plan specifications applicable to the project, as required under California law;
- c) Authorize the Public Works Director or designee to approve construction change orders up to a 5% contingency in the amount of \$2,653,175 for a total not to exceed authorization of \$55,716,675;
- d) Approve and authorize the Chair to execute the construction contract, which has been reviewed and approved by County Counsel, Auditor-Controller, and Risk Management;
- e) Adopt the Santa Barbara County Comprehensive Fund Balance Policy as a policy for the Laguna County Sanitation District; and

- f) After considering the Wastewater Reclamation Plant Facilities Master Plan and Habitat Conservation Plan Final Mitigated Negative Declaration (17NGD-00000-000-15) adopted by the Board of Directors on July 3, 2018, determine pursuant to 14 CCR §15162(a) that no subsequent EIR or Negative Declaration is required for these actions because: i) No substantial changes are proposed in the project which require major revisions of 17NGD-00000-000-15; ii) No substantial changes have occurred with respect to the circumstances under which the project is undertaken which require major revisions of 17NGD-00000-000-15; and iii) No new information of substantial importance concerning the project's significant effects or mitigation measures, which was not known and could not have been known with the exercise of reasonable diligence at the time that 17NGD-00000-000-15 was certified in 2018, has been received.

Summary Text:

This item is on the agenda in order to consider award of the construction contract for the Phase 1 plant upgrade project and the adoption of a Fund Balance Policy.

The bid process for the construction of the Phase 1 plant upgrade project included the prequalification of 11 contractors in March 2019 and distribution of the bid package in December 2019. Two bids were received on May 28, 2020. W.M. Lyles Company submitted the lowest responsive bid in the amount of \$53,063,500, which is 6.73% higher than the engineer's estimate, and 23.33% lower than the second bid. The project was bid in accordance with the Public Contract Code, which requires the award to go to the lowest responsible bidder. Staff analyzed the bids and determined the low bid is responsive and responsible and recommends awarding this contract to W.M. Lyles Company along with the construction contingency recommended above.

This action also recommends the adoption of a fund balance policy. As an Enterprise Fund, the Laguna County Sanitation District is required to have a formal policy regarding fund balances for various reserves. The County adopted and updated a policy in 2007, 2011 and 2016 but a formal policy was not adopted by the District. This action, therefore, establishes a District policy for capital replacement, operating reserves, emergency reserves, restricted accounts, and capital expansion that is consistent with County policy adopted with those prior actions.

Background:

This action recommends the award of the contract to construct the Phase 1 plant upgrade. The Phase 1 plant upgrade project was discussed in the master plan study presented to the Board of Directors in 2011. That plan assessed the reclamation plant facilities constructed in 1959 and subsequent upgrades constructed in 1974, 1986, and 2001, and recommended the replacement of the older plant components not associated with the 2001 regulatory upgrade. These facilities are beyond their useful lives, exhibit structural deficiencies, will not address changes in regulatory standards, and are not compatible with future needs. The proposed Phase 1 improvements meet the objective of planning for current and future service needs with a treatment capacity of 3.7 million gallons per day (mgd), while a future Phase 2 capacity upgrade is intended to serve future customers with an expanded capacity of up to 5.0 mgd.

Carollo Engineers, Inc. was retained in 2014 to conduct the Phase 1 alternative selection study. Engineering and the preparation of plans and specifications was completed in 2019. The project addresses the modification of the reclamation plant by installing new headworks, biological treatment, secondary clarifiers, and various other improvements including a new laboratory and operations building, that will integrate with the existing tertiary treatment facilities constructed in 2001. A Report

of Waste Discharge (ROWD) was submitted to the Regional Water Quality Control Board (RWQCB) in June 2019. The issuance of new Waste Discharge Requirements (WDRs) are not required to begin construction and are typically issued prior to project completion.

The bidding process for the Phase 1 plant upgrade included the solicitation of contractors through a request for qualifications (RFQ) process in order to prequalify prospective bidders. A short list of eleven contractors was established in March 2019. Bids were let in December 2019 and two bids were received on May 28, 2020. W.M. Lyles Company submitted the lowest responsible and responsive bid in the amount of \$53,063,500, which is 6.73% higher than the engineer's estimate. The other bid was \$69,214,000. Staff determined W.M. Lyles Company to be responsive based on a review of the bidding materials and recommends contract award to this vendor. District staff also recommends a construction contingency of 5% or \$2,653,175. It is noted that the District is not subject to the limitations set forth in Public Contract Code Section 20142. The total budget authorization requested is \$55,716,675. Staff therefore, recommends the award of the construction contract to W.M. Lyles Co., Inc. (Attachment A).

The project was approved and a Mitigated Negative Declaration (MND) for the *Wastewater Reclamation Plant Facilities Master Plan and Habitat Conservation Plan* (HCP) was adopted on July 3, 2018. Because the work is located within dispersal habitat of the federally endangered/state threatened California tiger salamander and the federally threatened California red-legged frog, mitigation for this (and all anticipated District capital improvements) in the form of a conservation easement on District property was required. United States Fish and Wildlife Service Incidental Take Permit TE16913C was issued on August 22, 2017 and the California Department of Fish and Wildlife issued a Consistency Determination on October 3, 2018. A conservation easement was established on May 23, 2019 completing the mitigation process allowing all planned projects in the HCP to move forward. The environmental documents can be found at <http://countyofsb.org/pwd/environment.sbc>.

The Laguna County Sanitation District (District) is a dependent special district of the County and is administered in the Public Works Department, Resource Recovery and Waste Management Division. It is responsible for providing wastewater services for the Orcutt and unincorporated Santa Maria area as provided by its LAFCO recognized territorial boundaries. It operates as an enterprise fund that provides its business-type activities to specific customers or ratepayers. The Governmental Accounting Standards Board (GASB) has established Generally Accepted Accounting Principles (GAAP) that mandate the use of an enterprise fund when the full cost of providing those services be recovered through fees and charges. Enterprise funds are operated and managed as a business entity and must consider financial sustainability and full accrual accounting, similar to private sector businesses. Accordingly, enterprise fund revenues are established to meet all expenses related to operating costs, debt service, depreciation, capital replacement and reserve funding to insure the long term sustainability of the business operation.

The intent of maintaining certain reserves is to promote sound financial management. As a result of a proposed debt financing of the Laguna County Sanitation District Phase 1 plant upgrade project, certain fund balance criteria are required by the financing documents including a general operating retained earnings account that, at a minimum, covers 180 days of operating expenses of the fund. Therefore, District staff recommends the adoption of the County *Comprehensive Fund Balance Policy* (Attachment B) by the Board of Directors, as adopted by the Board of Supervisors on December 13, 2016 in order to allow the enterprise fund to establish any retained earnings accounts necessary for bond or debt instruments issued by the District. This policy addresses capital replacement, working capital, emergencies, restricted accounts, and planning for capital expansion.

Performance Measure:

This project ensures that the District will be able to operate treatment plant facilities in accordance with Regional Water Quality Control Board Waste Discharge Requirements and Master Recycling Permit.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
LCSD Capital Reserves			\$ 55,716,675.00
Total	\$ -	\$ -	\$ 55,716,675.00

The construction of the Phase 1 plant upgrade is anticipated to take approximately 3 years with a construction start anticipated in October 2020. The project is included in the Public Works Department section of the current Five-Year CIP. Funding will come from District capital reserves and debt service proceeds in the amount of \$28,000,000. The costs are a one-time expense budgeted in Department 054, Fund 2870, Line Item 8200. Other project costs already approved by separate action are related to professional services such as engineering services during construction, construction management services, environmental monitoring services, and special testing and inspection services.

Special Instructions:

Please return a certified and stamped minute order approving the award of the construction contract, and two duplicate original fully executed construction contracts to Martin Wilder at the Laguna County Sanitation District office located in the Public Works Department building in Santa Maria at 620 West Foster Road. Retain the third original for Clerk of the Board files.

Attachments:

- Attachment A. Construction contract (3 originals)
- Attachment B. Fund Balance Policy

Authored by:

Martin Wilder, P.E. – Manager (805) 803-8755

Copy:

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