



Design Review Committee Briefing #36

Subject: Phase II Upgrades Financial Update

Date: December 15, 2020

The Issue

The intent of this Design Review Committee (DRC) briefing is to provide an update on the current financials for the Phase II Upgrades at the Nampa Wastewater Treatment Plant. As previously discussed with the DRC, the Phase II Upgrades are being executed through four distinct projects, known as Project Groups D, E, F, and G. The projects are at different stages of execution and cost certainty. City Staff are providing a status update of Phase II Upgrades including overall program financials, projected fiscal year 2021 and programmatic cash flows, anticipated schedule for major cost milestones, and an update on the state revolving fund loan status. Financial updates for each project group underway can be found in subsequent briefings (PGD: DRC Briefing #37, PGE: DRC Briefing #38, and PGF: DRC Briefing #39).

Background and Analysis

The following sections present a summary of the Phase II Upgrades financials.

Phase II Upgrades Financial Update

Figure 1 shows the overall financial summary for the Phase II Upgrades including the information:

- Baseline budget (i.e., Facility Plan budget)
- Currently contracted amount
- Projected future contracts
- Potential savings (i.e., different between baseline budget and total expected contracts)
- Total spending by project group/activity

Project	Baseline Budget	Current Contracted	Projected Contracts	Potential Savings	Spent
Project Group G	\$5,018,323	\$0	\$5,018,323	\$0	\$0
Project Group F	\$144,665,374	\$12,503,452	\$151,600,000	(\$19,438,078)	\$886,586
Project Group E	\$3,439,561	\$2,680,074	\$0	\$759,487	\$1,634,866
Project Group D	\$12,396,041	\$8,383,854	\$0	\$4,012,187	\$2,856,010
Pre-Design	\$5,119,154	\$4,803,503	\$0	\$315,651	\$4,371,467
Idaho Power Asset Purchase	\$0	\$821,253	\$0	(\$821,253)	\$0
Contingency	\$19,285,511	\$0	\$19,285,511	\$0	\$0
Total	\$189,923,962	\$29,192,136	\$175,903,833	(\$15,172,007)	\$9,748,928

Figure 1: Phase II upgrades financial summary

The City has currently contracted \$29.2M of the projected \$189.9M costs. This amount represents just over 15 percent of the overall program budget. The City has spent a total of \$9.7M as of December 7, 2020, which represents less than 5 percent of the total program budget. Future contracts are expected for construction phase activities for Project Group F and for the design and construction completion of Project Group G.

Cash flow projections allow state and city officials to plan for upgrades. The projected Wastewater Program Phase II Upgrades' overall spend, excluding programmatic contingency, has been estimated through the



completion of all upgrades in 2025 (see Figure 2 below). The highest capital expenditures are anticipated during Project Group F construction in 2023. It should be noted that spending in 2022–2024 constitutes over 70 per cent of the total cost of the Phase II Upgrades, the majority of which is associated with Project Group F construction.

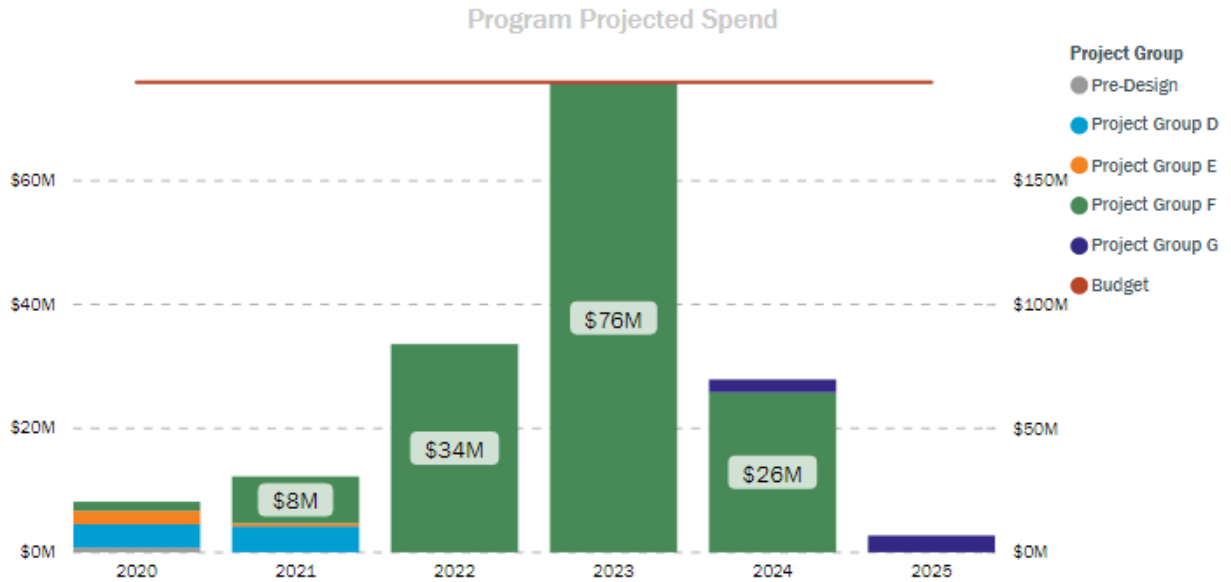


Figure 2. Wastewater Program Phase II Upgrades projected spend

A detailed cash flow through the end of 2021 (see Figure 3 on the next page) has been developed based on Project Group D and Project Group E schedules and the completion of Project Group F phase 1 services. This figure shows that current spending is slightly behind the original projected spending. This is primarily due to the delays associated with Project Group D construction, which are described in more detail in DRC Briefing #37. Overall spending is behind by approximately \$1.15M.

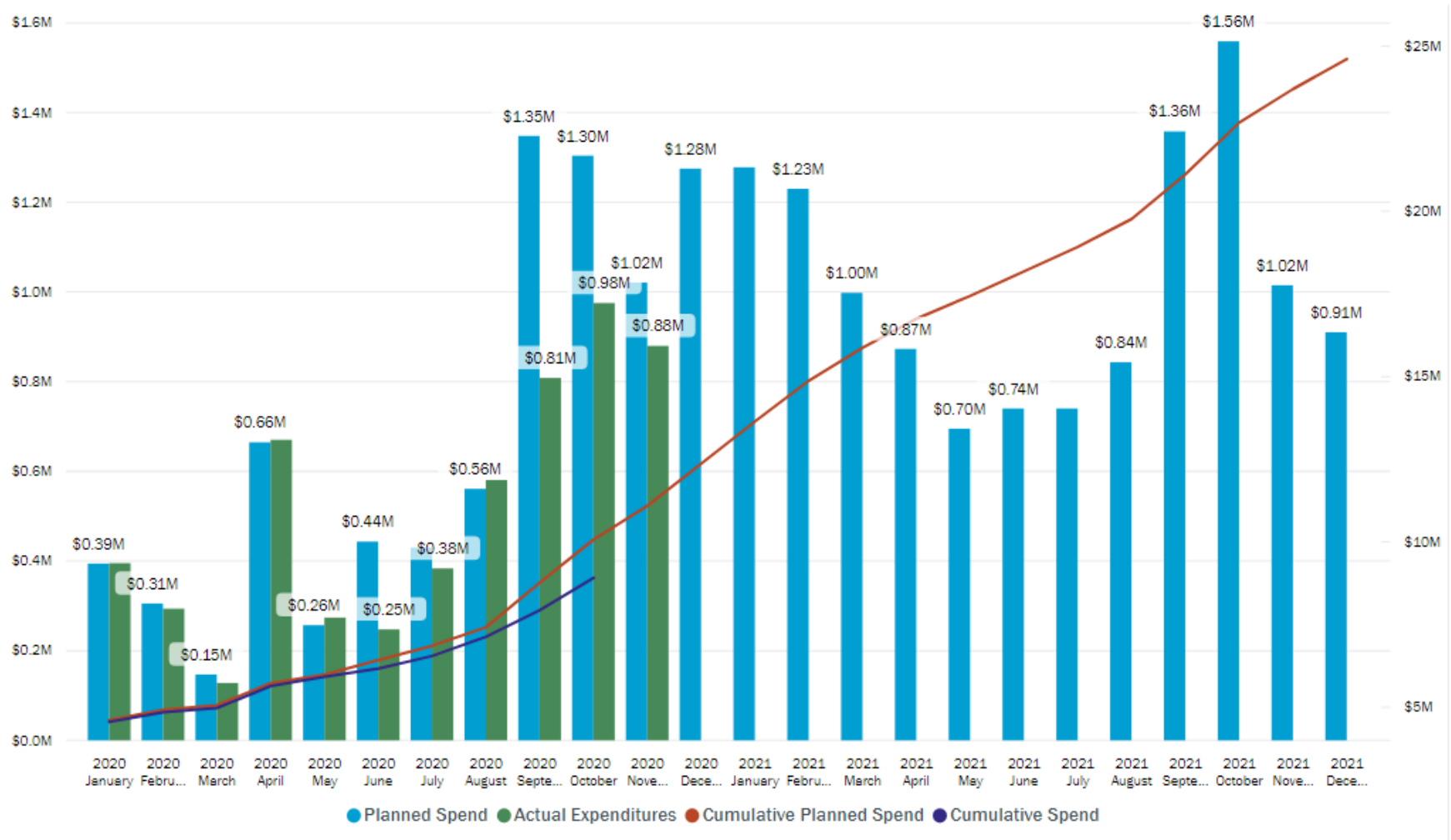


Figure 3. Phase II projected and actual spend

There are several upcoming milestones that will provide additional cost certainty. These milestones include the completion of construction for Project Groups D and E as well as milestones for Project Group F. The table below outlines when these milestones are expected.

Table 1. Anticipated Schedule for Additional Cost Information		
Project Group	Milestone	Anticipated Date
E	Construction completion	March 2021
F	Early works package Guaranteed Maximum Price (GMP) proposal	July 2021
F	City Council approval of early works package GMP contract amendment	October 2021
D	Construction completion	December 2021
F	Main work package GMP Proposal	January 2022
F	City Council approval of main works package GMP contract amendment	May 2022

State Revolving Fund Loan Status

The Idaho Department of Environmental Quality has obligated \$165M in Clean Water State Revolving Fund loan money for the City. Two installments of this loan have been awarded totaling \$61M. The remainder of the loan funds are expected to be awarded in the coming years.

The first request for reimbursement was submitted in early November for nearly \$7.7M. Reimbursement was requested for preliminary design, design, and construction that has taken place over the last 2 years. Figure 4 shows the overall status of the loan and includes the following information:

- Loan amount
- Amount issued
- Total invoiced in Phase II
- Amount submitted for reimbursement
- Total amount reimbursed

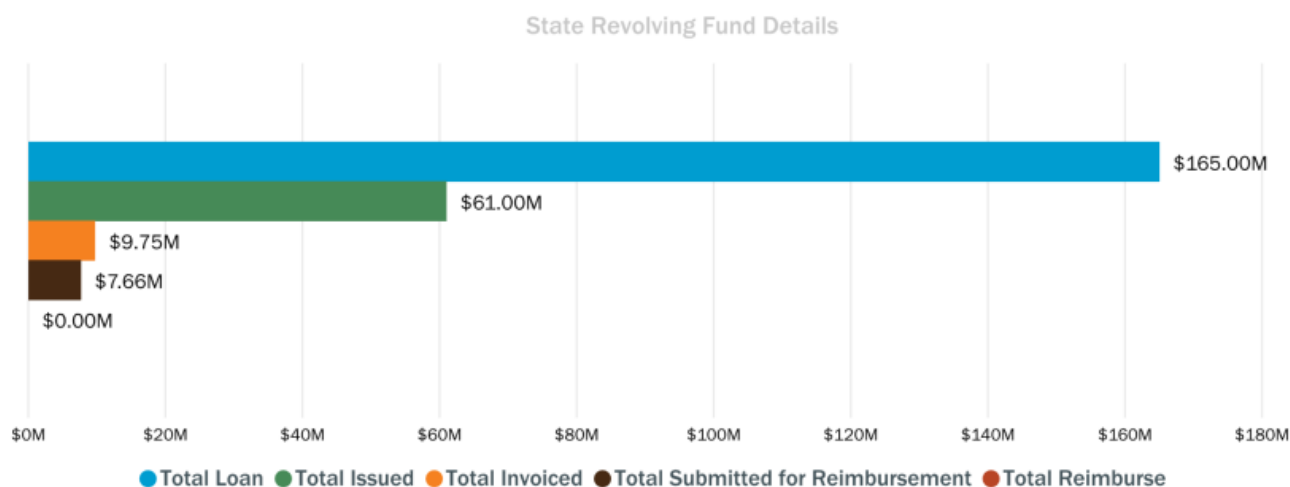


Figure 4. SRF loan status



Potential Consequences

There are several considerations regarding the Phase II Upgrades' current financial status worth highlighting for the DRC's awareness.

- **Favorable Construction Bids:** As shown in the table, Project Groups D and E, both of which are under construction, have come in below their baseline budgets. The construction bids for both projects came in below their estimates.
- **Idaho Power asset purchase:** The DRC recommended pursuing the purchase of the primary power infrastructure at DRC Meeting #9 (June 29, 2019). This recommendation increased the overall scope and cost of the project but provides long-term cost savings to the City. Since this decision, the City has completed the purchase of these assets with Idaho Power for roughly \$820,000. These costs are now included in the overall costs for the Phase II Upgrades.
- **Moving scope from Project Group D to Project Group F:** The original budget for Project Group D (\$12.4M) included all upgrades to the Nampa Wastewater Treatment Plant's digestion system including the construction of Primary Digester No. 5 and the replacement of the secondary digesters with sludge holding tanks. The latter portion of this scope was moved to Project Group F after the development of the baseline cost estimates. Therefore, Project Group D shows potential cost savings, but these savings are recommended to be moved to Project Group F.
- **Project Group F cost estimate:** The cost estimate for Project Group F increased by approximately 14 percent over the baseline effort based on the indicative design completed to support the design-build procurement process. This increase is within the accuracy range (-30 percent to +50 percent) of the baseline estimate, which is described in DRC Briefing #8. The technical analysis and design efforts associated with this project during preliminary design were substantially scaled back with the decision to use the progressive design-build delivery model. This approach allows room for more flexibility, innovation, and value engineering by the design-builder. Early efforts with the design-builder will focus on refining project scope to match the baseline budget.

Recommendation

The Nampa Wastewater Program Management Team recommends moving scope and associated budget from Project Group D to Project Group F associated with the digested sludge storage tank.