



CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

AGENDA

Mission Statement

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

SPECIAL MEETING

WEDNESDAY, April 24, 2019
VETERANS MEMORIAL HALL – 3:30 PM
209 SURF ST., MORRO BAY, CA

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD - Members of the audience wishing to address the Committee on business matters may do so at this time.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chairperson, please come forward to the podium, and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to the Committee, as a whole, and not to any individual member thereof.
- The Committee respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commissioner, committee member and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Committee to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Committee meetings is welcome, and your courtesy will be appreciated.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE MARCH 19, 2019, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

Recommendation: Receive and file.

B. BUSINESS ITEMS

1. DISCUSSION AND INPUT ON THE MEASURE Q FY 2019/20 DRAFT PROPOSED BUDGET

Recommendation: Receive draft Proposed FY 2019/20 Measure Q Budget and provide feedback.

2. DISCUSSION AND INPUT ON THE DRAFT PROPOSED FY 2019/20 OPERATING BUDGET

Recommendation: Receive draft Proposed FY 2019/20 Operating Budget and provide feedback.

3. REVIEW OF WRF CAPITAL PROJECT UPDATE REPORT

Recommendation: Receive WRF Capital Project Update Report and provide feedback.

4. FUTURE AGENDA ITEMS

C. SCHEDULE NEXT MEETING

MAY 21, 2019

D. ADJOURNMENT

DATED: April 18, 2019



Barbara Spagnola, Chair

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS, OR CALL CITY HALL AT 772-6201 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE COMMITTEE AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET DURING NORMAL BUSINESS HOURS.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 72 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

**MINUTES – CITIZENS OVERSIGHT/ FINANCE
ADVISORY COMMITTEE
REGULAR MEETING – MARCH 19, 2019
VETERANS MEMORIAL HALL – 3:30 P.M.**

MEMBERS PRESENT:	Barbara Spagnola	Chair
	John Martin	Vice-Chair
	Lois Johnson	Member
	Bill Bowes	Member
	David Betonte	Member
	Homer Alexander	Member
	Bart Beckman	Member
STAFF PRESENT:	Jennifer Callaway	Finance Director
	Sandra Martin	Budget/Accounting Manager
	Tracy McConnell	Account Clerk III

ESTABLISH A QUORUM AND CALL TO ORDER

Chair Spagnola called the meeting to order at 3:30 p.m., with 7 members present.

MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

STAFF ANNOUNCEMENTS
No staff announcements made.

PUBLIC COMMENT PERIOD
No public comments made.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR FEBRUARY 19, 2019 CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING
<https://youtu.be/NZEoFbeggS8?t=2m25s>
MOTION: Member Martin moved to approve A-1 with changes. Member Bowes seconded, and the motion carried 7 - 0.

B. BUSINESS ITEMS

1. REVIEW OF SECOND QUARTER INVESTMENT REPORT (JULY THROUGH DECEMBER 31, 2018) FOR FISCAL YEAR 2018/19 (Finance Director)
<https://youtu.be/NZEoFbeggS8?t=4m34s>
Finance Director Callaway presented the item and answered questions from committee members.

2. DISCUSSION AND INPUT ON PREPARATION OF MEASURE Q FY 2019/20 BUDGET

<https://youtu.be/NZEoFbegqS8?t=17m2s>

Finance Director Callaway added the Police budget for standby pay of \$24,000 per year. Staff answered questions from committee members.

3. FISCAL YEAR 2018/19 BUDGET BRIEF (Finance Director)

<https://youtu.be/NZEoFbegqS8?t=1h2m50s>

Finance Director Callaway took suggestions from committee and answered questions.

MOTION: Member Bowes moved to approve the proposed brief for publication on the website and copies at City Hall. Member Martin seconded. The motion carried 7-0.

4. REVIEW OF FY 2018/19 (JULY THROUGH MARCH 13, 2019) ACCUMULATED TRANSACTION REPORT FOR THE WRF CAPITAL PROJECT

<https://youtu.be/NZEoFbegqS8?t=1h12m55s>

Finance Director Callaway presented the report and, along with corresponding staff, answered questions from committee members.

5. RECEIVE THE FISCAL YEAR 2017/18 COMPREHENSIVE ANNUAL FINANCIAL REPORT

<https://youtu.be/NZEoFbegqS8?t=1h41m19s>

Finance Director Callaway and corresponding staff answered questions and received recommendations from committee members.

C. DECLARATION OF FUTURE AGENDA ITEMS

Measure Q FY 2019/2020 Budget
FY 2019/2020 Proposed Budget
Draft for WRF Project Budget with Capital Items
Revised WRF Report
3rd Quarter Investment Report

D. SCHEDULE NEXT MEETING

The next Regular Meeting of the Citizens Finance Advisory Committee is scheduled for Tuesday, April 16, 2019.

E. ADJOURNMENT

The meeting adjourned at 5:25 p.m.

Recorded by:
Tracy McConnell



AGENDA NO: B-1

MEETING DATE: April 24, 2019

Staff Report

TO: Chairman and Committee Members **DATE:** April 15, 2019
FROM: Jennifer Callaway, Finance Director
SUBJECT: Discussion and Input on the Measure Q FY 2019/20 Draft Proposed Budget

RECOMMENDATION

Receive draft proposed FY 2019/20 Measure Q Budget and provide feedback.

DISCUSSION

The draft FY 2019/20 proposed Measure Q budget is attached. Transaction tax estimates for FY 2019/20 are \$1,096,000 and were provided by HDL, the City's sales tax consultant. The proposed expenditures total \$1,096,000 with \$483,365 allocated to the Fire Department, \$87,600 to the Police Department and the remaining \$500,035 to the Pavement Management Plan.

ATTACHMENT

1. FY 2019/20 Proposed Operating Budget

Prepared By: JC

Dept Review:

City Manager Review:

City Attorney Review:



MEASURE Q REQUEST

PROGRAM PURPOSE

Measure Q was approved to preserve Morro Bay's safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services. Citizens approved increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens' advisory committee to review annual expenditures.

BUDGET OVERVIEW

The FY 2019/20 Measure Q budget is based on projected transaction tax of \$1,096,000. Of the \$1.1 million in estimated transaction tax, the City proposes to allocate \$500,035 to the Pavement Management Plan Capital Project, \$87,600 to the Police Department for both personnel and equipment needs, and \$483,365 to the Fire Department for personnel, equipment and debt service requirements.



In FY 2017/18 the City established a Capital Project for the Pavement Management Plan. This allows for all pavement management work to be accounted for in one fund, making it more efficient to account for the supplemental funding of the pavement management plan through Senate Bill (SB)1 gas tax expenditures and other grant monies. The Measure Q funds of \$500,035 will be supplemented by approximately \$185,686 in SB 1 funds to complete chip and cape seal, as well as type 2 micro surfacing to over 275,000 square feet of roadways in the City.

The Fire Department's Measure Q expenditures consist of Fire Station debt service and salaries and benefits (based off the 2007 standard to maintain our 4-person staffing as per the Emergency Services Ad-Hoc Committee report and Fire Department Strategic Plan), consistent with prior year expenditures. In addition, the Measure Q fund has committed to a four-year repayment plan to the City's Vehicle Replacement Fund for the purchase of the new Fire Engine, this repayment amount of \$60,000 is included in the Department's Measure Q funding allocation. Lastly, the Fire Department's funding allocation includes funds for purchase of Firefighter Personal Protection Equipment (PPE) (\$16,800) and cardiac heart monitors that are now required by state law (\$14,000).



MEASURE Q



The Police Department will receive \$87,600 from Measure Q to support operations. This includes funding for standby pay (\$24,000) which allows the department to have a detective available to respond to call-outs 24 hours a day. This funding will provide \$20,000 to support the purchase of first responder emergency/trauma kits for each officer.

The Police Department is also requesting \$23,000 in funds to support continued funding for the In-Unit and Body Camera Contract with lenslock. The Measure Q fund supported the purchase of a new body-worn and in-vehicle camera system in FY 2018/19 to ensure that the City's public safety officers had properly maintained and functioning cameras. Body cameras are worn on an officer's uniform to capture video and audio activity. These devices represent best practices in Law Enforcement liability and constitutional policing. They have become imperative in internal investigations of Officer conduct issues. The District Attorney often requires these video/audio recordings as evidence in court cases and in many instances, have been able to prosecute a case based on the in-unit and body camera footage. The City's contract with Lenslock extends through 2023 at a cost of \$23,000 per year.



Lastly, the Department is requesting \$20,600 in payment to other agency --- \$14,600 for Bomb, Gang and Narcotic Task Force assistance and \$6,000 for the Computer Aided Dispatch (CAD)/Data Lines.



MEASURE Q

MEASURE Q

Fund 003

SUMMARY OF REVENUES AND EXPENDITURES

	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Amended	2018/19 Estimated	2019/20 Proposed
SOURCES OF FUNDS						
Beginning Fund Balance	\$ 38,101	\$ 500,113	\$ 73,557	\$ 184,052	\$ 184,052	\$ 147,163
REVENUES						
<i>Sales & Use Tax</i>	\$ 980,853	\$ 1,077,488	\$ 1,062,872	\$ 1,105,000	\$ 1,105,000	\$ 1,096,000
<i>Intergovernmental</i>	-	38,424	-	-	-	-
<i>Interest</i>	2,989	1,959	-	-	-	-
<i>Transfers In</i>	-	-	-	-	-	-
TOTAL REVENUES	\$ 983,842	\$ 1,117,871	\$ 1,062,872	\$ 1,105,000	\$ 1,105,000	\$ 1,096,000
EXPENDITURES						
<i>Salaries and Benefits</i>	\$ 497,187	\$ 307,182	\$ 260,362	\$ 328,307	\$ 328,307	\$ 325,758
<i>Supplies</i>	3,194	14,247	34,661	41,500	41,500	73,800
<i>Services</i>	34,234	1,126,245	41,987	-	-	-
<i>Capital Outlay</i>	60,771	-	-	87,600	87,600	-
<i>Other</i>	-	10,000	14,600	38,600	38,600	20,600
<i>Debt Service</i>	82,538	82,394	83,194	90,806	84,195	90,806
<i>Equipment</i>	-	-	-	60,000	60,000	85,000
TOTAL EXPENDITURES	\$ 677,924	\$ 1,540,068	\$ 434,804	\$ 646,813	\$ 640,202	\$ 595,964
Pavement Management Plan	\$ -	\$ -	\$ 502,016	\$ 501,687	\$ 501,687	\$ 500,035
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 677,924	\$ 1,540,068	\$ 936,820	\$ 1,148,500	\$ 1,141,889	\$ 1,095,999
Ending Fund Balance	\$ 500,113	\$ 73,557	\$ 184,052	\$ 140,552	\$ 147,163	\$ 147,164

Notes:

Fund Balance

Estimated FY 2018/19 Ending Fund Balance	\$ 147,163
Assigned Fund Balance - Debt Service Reserve	48,586
Unassigned Fund Balance	<u>\$ 98,577</u>

The measure Q budget is presented below with departmental detail.

∞ MEASURE Q ∞
City of Morro Bay
Measure Q
Operating Revenues vs. Operating Expenditures
Proposed FY 2019/20

	FY19/20 Proposed Budget
Revenues	
Sales Tax	\$ 1,096,000
Charges for Services - Sale of Plans/Specs	-
Interest	-
Grants - CalRecycle	-
Total Revenues	1,096,000
Expenditures	
Fire	
Salaries & Benefits (Relief Firefighter)	179,843
Transfer to General Fund (Remaining balance of Relief Firefighter)	121,916
Fire Station #53 Debt Service	90,806
Equipment (PPE & Cardiac Monitors)	30,800
Replacement Engine Repayment	60,000
Total Fire	483,365
Police	
Standby Pay	24,000
Equipment (Body Worn Cameras, First Responder Kits)	43,000
Payment to Other Agency's - SLO Sheriff	20,600
Total Police	87,600
Public Works	
Streets	
Street Maintenance - Equipment Rental	25,000
Pavement Management Plan (transferred out to the new Pavement Mgmt Plan Capital Project)	500,035
Total Public Works	525,035
Gain/Loss on Investment -GASB 31	
Total Operating Expenditures	\$ 1,096,000
Use of Carryforward Funds	
Net Operating Revenues over Expenditures & Carryforwards	\$ -
Estimated FY 2018/19 Ending Fund Balance	\$ 147,163
Assigned Fund Balance - Debt Service Reserve	48,586
Unassigned Fund Balance	\$ 98,577

∞ MEASURE Q ∞

Object	2019-2020 Measure Q Request
<p>Fire Station #53 debt service + 10% reserve</p>	<p>\$90,806 - The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, Council has expressed an intent to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold.</p>
<p>Replacement for Engine 5391 with Type 1 Fire Combination Pumper</p>	<p>\$60,000 - Fund a 5-year payment schedule for a Fire Apparatus that meets Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 has been in service in Morro Bay since 1994 and was on the Fire Department's replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A (\$275,000) down payment is being funded by the Bertha Shultz Trust with a total price of (\$675,000).</p>
<p>Firefighter Personal Protection Equipment (PPE)</p>	<p>\$16,800 - For current firefighters and projected new hires in fulltime and part-time staff, fund up 6 new structure PPE, face and neck hoods, gloves, and structure boots. Also includes helmets, wildland boots, wildland gear, fire shelters, signal layer wildland coats, eye protection, hearing protection and hand protection. All PPE replacements and purchases will follow Cal OSHA and National Fire Protection Agency (NFPA) guidelines. All PPE maintenance and repairs are supported in the general fund.</p>
<p>Replacement Cardiac Monitors</p>	<p>\$14,000 – Funding to replace 12-year-old Cardiac Monitors with a Measure Q request of \$11000 and replace with four reprogramed Zoll monitors that are 5-years old. Cost savings of \$97,000 as compared to purchasing new. Our current monitors have done well in their serve as they are the 1st generation of 12-Lead monitoring with algorithms to determine acute Myocardial Infarctions with ST elevation to match new Paramedic protocols. The replacement schedule has been extended two years due to good testing and operations. New and future EMSA guidelines will incorporate the need to transmit our patient findings to our local hospitals to enhance the treatment of our cardiac patients. In addition, a new generation of cardiac monitors will enhance our End-Tidal Carbon Dioxide monitoring, provide great feedback on the performance of our CPR, and provide an updated and mandatory algorithm to determine acute Myocardial Infarctions with ST segment elevations.</p>

MEASURE Q

Object	2019-2020 Measure Q Request
Salaries and benefits - Fire	\$301,759 - Continues funding for vacation relief full-time firefighter Salary (\$81,653), Benefits (\$44,303), vacation relief overtime pay (\$15,930), and overtime to maintain staffing of 3 full-time firefighters (\$121,916), and funding the additional reserve part-time firefighter wage (\$34,506) and benefit (\$3,4501) to maintain the council desired and strategic plan recommended 4 firefighters on duty each day.
Salaries & Benefits – Police	\$24,000 – Standby pay (\$24,000)
Body Worn Cameras	\$23,000 – Continued funding for the In Unit and Body Camera contract with Lenslock. This contract will run for the next 4 years with the option to renew or cancel the contract in 2023. In Unit and Body cameras have become imperative for day to day functions.
First Responder Kits	\$20,000 - Officer First responder kits are essential. These kits will be fitted to each individual officer and will be part of their daily equipment. The kit consists of a ballistic helmet, rifle rated ballistic panels/vest and emergency medical/trauma kit in the event of a major event.
Payment to other Agency	\$20,600 – Payment to San Luis Obispo (SLO) Sheriff for bomb task force training and CAD/Data lines.
Skid Steer Lease	\$25,000 – Skid Steer Lease Payments
Pavement Management Plan	\$500,035 –Supplemented by approximately \$185,000 in SB 1 gas tax money to complete pavement work within the City.
Total Request	\$1,096,000





AGENDA NO: B-2

MEETING DATE: April 24, 2019

Staff Report

TO: Chairman and Committee Members **DATE:** April 15, 2019

FROM: Jennifer Callaway, Finance Director

SUBJECT: Discussion and Input on the Draft Proposed FY 2019/20 Operating Budget

RECOMMENDATION

Receive draft Proposed FY 2019/20 Operating budget and provide feedback.

DISCUSSION

Staff is continuing to compile the proposed FY 2019/20 operating and capital budgets. Included for the committee’s review, discussion and input are draft program budgets. In addition to the draft proposed General Fund Departmental budgets and draft proposed Measure Q budget (as were provided last year for the Committee’s review), draft proposed internal service funds, other funds and the draft proposed WRF Capital Project budget are also included for the Committee’s review.

Please note that there will be modifications to the provided documents as staff continues to review and complete quality control checks, as well as finalizes the proposed budgets for the special revenue funds (Tourism Business Improvement District (TBID), enterprise funds and remaining capital projects.

Staff will also be finalizing the financial summaries section, transmittal sections, supplemental materials and a City profile section for presentation with the May proposed budget.

The provided draft proposed general fund budget is balanced with \$14,815,194 in revenues (including transfers of \$1.386 million) and \$14,810,736 in budgeted expenditures (inclusive of \$480,970 in transfers). The \$325,000 budget deficit was closed by reducing the contributions to internal service funds for future replacement and repair needs, reducing the Tourism Business Improvement District contribution (placeholder until discuss by the TBID Board on 4/18/19 and Council in May), reduced Fire dispatch costs due to the inclusion of Five Cities and reduced police salary and benefits due to staffing changes.

ATTACHMENT

- [Draft Proposed FY 2019/20 Operating Budget](#)

Prepared By: <u> JC </u>	Dept Review: <u> </u>
City Manager Review: <u> </u>	City Attorney Review: <u> </u>



AGENDA NO: B-3

MEETING DATE: April 24, 2019

Staff Report

TO: CFAC Chair and Committee Members

DATE: April 17, 2019

FROM: Rob Livick, PE/PLS – Public Works Director/City Engineer
Eric Casares, PE – Water Reclamation Facility (WRF) Program Manager

SUBJECT: Review of WRF Capital Project Update Report

RECOMMENDATION

Receive the attached March 2019 Monthly Status Report for the Water Reclamation Facility and provide feedback.

ALTERNATIVES

No alternatives are recommended.

FISCAL IMPACT

No additional fiscal impact is proposed within this update. All work is proceeding within the City's Fiscal Year 2018/19 budget for the WRF Project.

BACKGROUND

At the February 26, 2019 City Council meeting, City staff and the Program Manager (Carollo) provided an update on the Water Reclamation Facility Project (Project). During that meeting, Carollo indicated they were working on the new Project Monthly Status Report template. During the meeting Carollo discussed items that would be included in the Project Monthly Status Report, which included:

- Summary of total project costs to date
- Summary of invoices received during the period
- Key cost metrics including invoiced-to-date, earned value, reimbursements from funding agencies, etc.
- Key schedule metrics including a summary of key milestones
- Status of procurement activities (e.g., award of a construction contract for the Conveyance Facilities Project)
- Other metrics including a summary of public outreach activities, etc.

The attached report covers all of the items discussed above and will be the most comprehensive report produced monthly by Carollo. Staff and Carollo are seeking direction from CFAC regarding what information they would specifically like to see on a monthly basis in a tailored monthly.

Summary of Project Controls Activities

As presented at the February 19, 2019 CFAC meeting, Carollo has specific responsibilities for program controls including:

Prepared By: EC/RL

Dept Review: RL

City Manager Review: SC

City Attorney Review: CN

- Monthly tracking of the schedule and all expenditures for the Project
- Development of a Project Monthly Status Report
- Performing a detailed review of the overall Project budget quarterly
- Reviewing and developing a new baseline schedule annually
- Making a presentation to CFAC quarterly

In addition to these activities, Carollo has been working on a budget update to inform the larger City budgeting process for Fiscal Year 2019/20.

ATTACHMENT

1. March 2019 Monthly Report (Carollo)



City of Morro Bay
Water Reclamation Facility Project

MONTHLY REPORT MARCH 2019

DRAFT | April 2019

This document is released for the purpose of information exchange review and planning only under the authority of
Eric T. Casares,
April 2019,
State of California, PE.73351

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Section 1

PROGRAM OVERVIEW

1.1 Program Status

All components of the Water Reclamation Facility Project (Project) are currently in progress. City staff and the Program Manager (Carollo) are actively working with the design-build team and the pipeline designer to advance the design of the Water Reclamation Facility (WRF) and Conveyance Facilities, respectively. City staff and Carollo are also actively working with the hydrogeologist to better characterize the Lower Morro Groundwater Basin and identify the preferred injection location. Once the final injection location is confirmed, design of the Recycled Water Facilities (i.e., injection wells) can begin.

1.2 Accomplishments

Accomplishments over the last month include working with the design-build team to finalize potential change orders (PCOs) as a result of the Basis of Design Report (BODR) development. Preliminary results of the Phase 1 work being done by the hydrogeologist (GSI) have also been presented to City staff and Carollo. Preliminary results indicate that injection of purified water and extraction by the City's existing wells allows the City to benefit from its entire allocation of 851 acre-feet per year (AFY) without inducing seawater intrusion and lowering the nitrate concentration below the drinking water maximum contaminant level (MCL). Also in the last month, Carollo has been working to update the project budget. Based on previous presentations to the City Council, WRFCAC, and CFAC, the Carollo will complete an in-depth review of the project budget on a quarterly basis. The updated budget was also needed by the City's Finance Department as part of the City-wide fiscal year 2019/2020 budget development.

1.3 Looking Forward

Upcoming activities include bringing a list of PCOs to the WRFCAC and City Council for consideration. It is anticipated that this will occur at the first meeting in May 2019. Carollo is also planning to bring the results of the Phase 1 hydrogeology results to WRFCAC and City Council.

1.4 Challenges

Challenges for the Project are primarily contained to the land use permitting process. In January 2019, City staff was provided direction from City Council to pursue a consolidated permit through the California Coastal Commission (CCC). The original plan was to bring the permit to the CCC meeting in April 2019, but was then moved to May 2019. Based on input received by the CCC from the community at the March 26, 2019 City Council meeting, the permit is now on the CCC agenda in July 2019 when the meeting will be held in San Luis Obispo.

1.5 Performance Measures

A set of five Key Performance Indicators (KPIs) were established to readily measure the progress of the Project. These KPIs represent various success factors associated with the WRF program management and delivery that were established by Carollo and City of Morro Bay staff and are summarized as Table 1. The Project's performance is also illustrated graphically in Figure 1 and Figure 2.

Table 1 WRF Project Performance Measures

Performance Measure	Data	Target	Current	Delta	Status	Ⓞ	Ⓢ	Ⓡ
1: Total Project Costs	Total Program Projected Costs versus Actual Cost-to-Date (thru 3/31/19)	\$125.9 M	\$124.4 M	-1.2%	Ⓞ	Estimated cost >= 5% below target budget	Estimated cost within 5% of target budget	Estimated cost > 5% above target budget
1.1: WRF Costs	On Site WRF Projected Costs versus Actual Cost-to-Date (thru 3/31/19)	\$77.1 M	\$77.9 M	1.0%	Ⓞ	Estimated cost >= 5% below target cost	Estimated cost within 5% of target cost	Estimated cost > 5% above target cost
1.2: Conveyance Facilities Costs	Conveyance Facilities Projected Costs versus Actual Cost-to-Date (thru 3/31/19)	\$26.3 M	\$29.4 M	11.8%	Ⓡ	Estimated cost >= 5% below target cost	Estimated cost within 5% of target cost	Estimated cost > 5% above target cost
1.3: Recycled Water Facilities Costs	Off Site Injection Facilities Projected Costs versus Actual Cost-to-Date (thru 3/31/19)	\$12.1 M	\$5.7 M	-52.9%	Ⓞ	Estimated cost >= 5% below target cost	Estimated cost within 5% of target cost	Estimated cost > 5% above target cost
1.4: General Program Management Costs	Program Management Projected Costs versus Actual Cost-to-Date (thru 3/31/19)	\$11.47 M	\$10.2 M	10.9%	Ⓡ	Estimated cost >= 5% below target cost	Estimated cost within 5% of target cost	Estimated cost > 5% above target cost
2: Conveyance Pipeline Installed	Feet of conveyance pipeline installed (thru 3/31/19)	18,500 LF	0.0 LF	0.0%	Ⓞ	<= 5%	> 5% and <=7.5%	> 7.5%
3: Compliance Date Countdown	Days Remaining to Compliance Date (as of 3/31/19)	1,795 days	1,321 days	-474 days	Ⓞ	<=98%	> 98% and <=90%	> 90%

Section 2

PROJECT COSTS

2.1 Project Budget

The overall budget status for the Project is summarized in Table 2. The top half of the Table provides a summary of total estimated Project costs, including original and current estimated costs for the entire Project. The bottom half of Table 2 shows the total amount of work currently under contract and provides a summary of current and total charges.

Table 2 WRF Project Overall Budget Status (thru March 2019)

Summary of Total WRF Program Cost	
Original Baseline WRF Project Budget ⁽¹⁾	\$125,938,000
Current WRF Project Budget	\$124,438,000
Percent Change (Current versus Original)	-1.2%
Percent of Current WRF Project Budget Contracted	60.5%
Percent of Current WRF Project Budget Expended	6.8%
Percent of Current WRF Project Budget Planned to be Expended	15.6%
Summary of Contracted Work	
Total WRF Project Contracted Amount	\$75,294,895
Total Expenditures to Date (thru 3/31/19 invoices)	\$7,035,350
Remaining WRF Project Contracted Amount	\$68,259,545

Notes:

(1) Developed in the spring of 2018 as the basis of the approved rate surcharge that will take effect in July 2019.

2.2 Project Cash Flow

Presented in Figure 1 are the projected and actual expenditures for the Project through March 2019 compared to the baseline budget developed in 2018 as the basis for the rate surcharge. The line graph shows the cumulative values for the project and the bars show the discrete monthly values. For the time period before January 2019, the bars show annual values. Because the forecasted cash flows are based on anticipated project delivery schedules, the relationship of projected cash flows to actual expenditures provides an indication of schedule status.

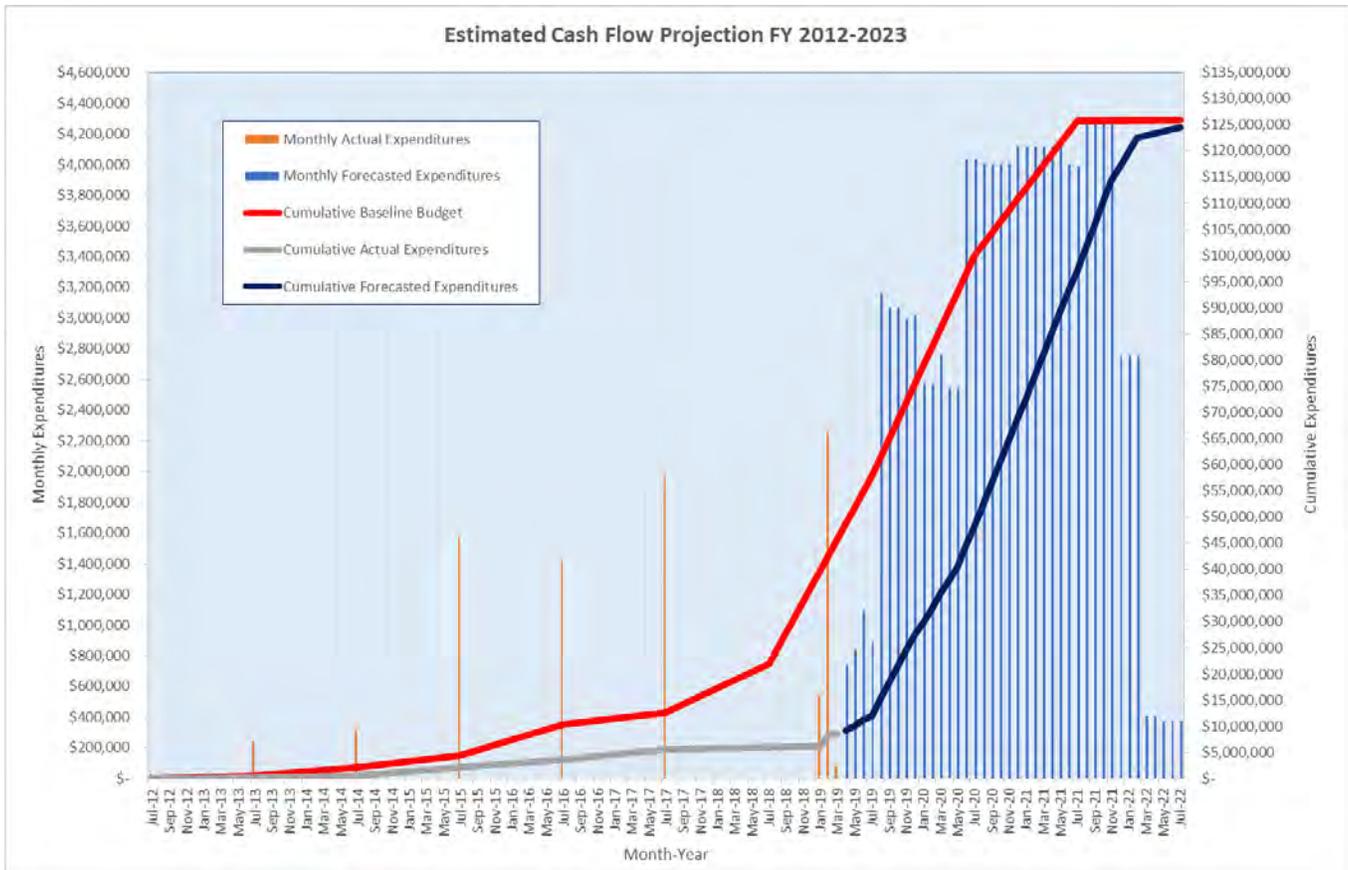


Figure 1 Program Cash Flow Projections and Actual Expenditures

Table 3 summarizes the cost-to-date and contracted amounts for each of the elements of the Project. This table also provides the current cost estimate for each project. Detailed information on the individual elements of the Project is provided in Section 7 of this Report.

2.3 Project Cost Summary

Table 3 WRF Project Cost Summary (through March 2019)

Project	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.) ⁽¹⁾	Cost Expended to Date (%)
General Program	\$6,041,480	\$6,190,871	\$4,522,488	\$11,471,480	52.7%
WRF	\$1,654,952	\$67,234,512	\$1,654,952	\$77,858,063	2.1%
Conveyance Facilities	\$549,733	\$1,360,564	\$549,733	\$29,457,010	1.9%
Recycled Water Facilities	\$205,677	\$508,947.00	\$150,287	\$5,665,677	3.6%
Total	\$8,451,843	\$75,294,894	\$7,035,349	\$124,452,231	6.8%

Notes:

(1) Cost includes the total anticipated cost for each element of the Project.

2.4 Detailed Project Costs

The following tables show the detailed costs to date for active contracts for each element of the Project.

Table 4 General Project Activities Cost Summary (through March 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.) ⁽¹⁾	Cost Expended to Date (%)
ESA	\$349,999	\$376,604	92.9%	\$396,604	88.2%
Far Western	\$84,385	\$124,644	67.7%	\$124,644	67.7%
Kestrel	\$171,350	\$219,872	77.9%	\$319,872	53.6%
Carollo Engineers, Inc.	\$614,031	\$1,898,844	32.3%	\$5,298,844	11.6%
JSP Automation	\$21,778	\$63,500	34.3%	\$163,500	13.3%
Total	\$1,241,541	\$2,683,464	46.3%	\$6,303,464	19.7%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 5 WRF Cost Summary (through March 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.) ⁽¹⁾	Cost Expended to Date (%)
Overland Contracting	\$1,654,952	\$67,234,512	2.5%	\$69,734,512	2.4%
Total	\$1,654,952	\$67,234,512	2.5%	\$69,734,512	2.4%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 6 Conveyance Facilities Cost Summary (through March 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.)(1)	Cost Expended to Date (%)
Water Works Engineers (WWE)	\$549,733	\$1,360,565	40.4%	\$1,610,565	34.1%
Total	\$549,733	\$1,360,565	40.4%	\$1,610,565	34.1%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

Table 7 Recycled Water Facilities Cost Summary (through March 2019)

Consultant / Contractor	Actual Expenditures to Date	Total Contracted Cost	Contract Expended to Date (%)	Total Project Cost (Est.)(1)	Cost Expended to Date (%) / Percent Complete
GSI	\$150,287	\$351,000	42.8%	\$451,000	33.3%
Total	\$150,287	\$351,000	42.8%	\$451,000	33.3%

Notes:

(1) Cost includes planned or anticipated amendments to active consultant agreements.

2.5 Change Orders

No changes orders have been accepted in 2019 for any of the elements of the Project.

2.6 Reimbursement from Funding Agencies

No reimbursements from funding agencies have been completed in 2019.

Section 3

PROJECT SCHEDULE

A summary of the Project schedule is presented in Figure 2.

3.1 Project Construction Milestones

Presented in Table 8 are the construction milestones for each element of the Project.

Table 8 **Project Construction Milestones**

Project Name	Start of Construction		End of Construction		Permit Compliance Date	
	Planned	Actual	Planned	Actual	Planned	Actual
WRF	August 09, 2019		June 09, 2022		February 28, 2023	
Conveyance Facilities	July 21, 2021		June 21, 2022		NA	NA
Recycled Water Facilities	May 11, 2020		November 19, 2021		NA	NA



Figure2 Project Milestone Summary

Section 4

DESIGN AND PROCUREMENT

4.1 Design Status

No new design contracts for the Project were executed in 2019. A summary of the existing design contracts is included in Table 9 below.

Table 9 Procurement Status (through March 2019)

Project Name	Initial Contract Amount	Amount Expended	30%	60%	90%	Final
WRF	\$4,821,229	\$1,654,952	✓			
Conveyance Facilities	\$1,170,894	\$549,733	✓			
Recycled Water Facilities	\$0	\$0				

4.2 Procurement

No procurements were performed during 2019. Table 5 presents a summary of the procurement activity for the Project.

Table 10 Procurement Status (through March 2019)

Project Name	Bid Advertisement Date	Bid Opening Date	Council Award Date	Notice to Proceed Date	Consultant
WRF	January 24, 2018	May 08, 2018	October 23, 2018	November 01, 2018	Overland Contracting (Filanc-Black & Veatch)
Conveyance Facilities	January 24, 2018	May 08, 2018	October 23, 2018	November 01, 2018	Water Works Engineers
Recycled Water Facilities	Project element to be bid in May 2021				

Section 5

CONSTRUCTION STATUS

5.1 Construction Summary

During 2019 construction started for one projects. Table 11 presents a summary of project construction progress and costs through 2019.

Table 11 Project Construction Costs

Project Name	Amount Expended	Initial Contract Amount	Current Contract Amount	% Change in Contract Amount
WRF	\$0	\$62,413,335	\$62,413,335	0%
Conveyance Facilities	\$0	\$0	\$0	0%
Recycled Water Facilities	\$0	\$0	\$0	0%
Construction Total	\$0	\$62,413,335	\$62,413,335	0%

5.2 Upcoming Traffic Control

5.2.1 Planned Impacted Areas

5.2.2 Hours of Planned Lane/Road Closures

5.3 Construction Safety

The Project safety goal is zero reportable incidents. There have been a total of zero reported incidents in 2019.

Section 6

OTHER PROGRAM ACTIVITIES

6.1 Public Outreach

Current public outreach activities include:

- Development of the Draft Communications Plan.
- Continued re-branding activities.
- Planning for mailings/bill inserts prior to the rate increases taking affect.

6.2 Permitting Activities

Permit compliance is an important aspect of the Project. The current permitting activities include:

- Consultation with the State Historic Preservation Office (SHPO) is needed for compliance with the National Environmental Policy Act (NEPA) required to secure EPA WIFIA financing.
 - Additional architectural and archeological within the area of potential effect (APE) are currently being planned.
- In order to capture changes to the project identified since the certification of the Final Environmental Impacts Report (FEIR), ESA is currently completing an addendum to the FEIR.
- While initially planned to occur in April 2019, the coastal development permit (CDP) for the Project will be on the July 2019 CCC meeting in San Luis Obispo.

6.3 Funding Status

- Coordination with EPA WIFIA staff to facilitate the environmental review and finalize loan terms.
- Worked with Kestrel to develop responses to comments from the United States Bureau of Reclamation (USBR) Title XVI Grant Program staff on the City draft crosswalk document delivered in early 2018.
- Delivered the Final Recycled Water Final Water Reclamation Facility Plan (previously the Draft Master Reclamation Plan)
 - Delivery of the final document will allow the City to be reimbursed the second half of the \$75,000 planning grant.

6.4 City Operations Activity

The current City Operations activities include:

- Significant City Operations activities are not anticipated until start-up of the WRF begins in June 2021.

Section 7

PROJECT DETAILS

7.1 Water Reclamation Facility

7.1.1 Designer/Builder

In October 2018, the City executed a contract with Overland Contracting (a joint venture of Filanc and Black & Veatch) for design and construction of the WRF located at the South Bay Boulevard site. The project will be delivered using the design-build process.

7.1.2 Project Scope

The scope of this element of the Project includes a preliminary, secondary, and advanced treatment facilities. The secondary treatment processes will consist of a membrane bioreactor (MBR) and have the ability to exceed the anticipated discharge requirements for the City's new National Pollution Discharge Elimination System (NPDES) permit. The advanced treatment facilities include reverse osmosis (RO) and ultraviolet disinfection/advanced oxidation process (UVAOP). Purified water from the advanced treatment facilities will be injected into the lower Morro Groundwater Basin.

7.1.3 Current Progress

Overland Contracting (DB) delivered an internal draft of the BODR in February 2019. Since that time, Carollo and City staff has reviewed the Draft BODR and the DB is currently updating the Draft BODR for release to the WRFCAC and City Council. It is anticipated that the Draft BODR will be available in early May 2019. In addition to the Draft BODR review, City staff and Carollo have been identifying, costing, and negotiating PCOs for the existing DB agreement. These will also be presented to the WRFCAC and City Council in May 2019.

7.1.4 Upcoming Activities

As stated previously, the next step in the DB process is the acceptance of the PCOs and modifications to the DB's scope and resulting agreement. These changes will all need to be approved by City Council in May 2019. In addition to the PCOs, the DB is continuing to advance the design and is planning to deliver the 60 Percent Submittal in August 2019.

7.1.5 Project Challenges

The goal is to move this element into construction as soon as possible. At this time, two items are on the critical path for WRF construction. These include issuance of a coastal development permit by the CCC and completion of the SHPO consultation process (leading to a signed WIFIA loan agreement).

Table 12 WRF Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	\$62.9M	\$65.4M	
Change Order Cost	\$6.2M	\$2.5M	

Notes:

(1) Project budget and current contract amount (≤5% over target = Yellow, >5% over target = Red).

Table 13 WRF Construction Summary

Schedule					
Request for Bid / Bid Advertisement	January 24, 2018				
Bid Opening Date	May 08, 2018				
Contract Award / Council Award Date	October 23, 2018				
Notice to Proceed for Construction	NA				
Original Final Completion Date	June 09, 2022				
Original Duration (Non-Working Days)	1,316				
Days Changed by Change Order	0				
Actual Final Completion Date (including Non-Working Days)	June 09, 2022				
Schedule Percent Complete	11%				
Budget					
Engineer's Estimate	\$69,213,000				
Award Amount	\$62,413,335				
Change Order Total	\$0				
Current Contract Value	\$62,413,335				
Percent Change	0%				
Actual Cost -to-Date	\$0				
Percent Complete (Percent Expended)	0%				
Construction Management Statistics					
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	19	0	0
Total Responded To	0	0	17	0	0
Total Pending	0	0	2	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Acronym List:

- (1) RFI – Request for Information PCO – Proposed Change Order
- (2) CO – Change Order NOPC - Notice of Potential Claim

7.2 Conveyance Facilities

7.2.1 Designer

In November 2017, the City executed a contract with Water Works Engineers for design and engineering support for the facilities necessary to connect the existing WWTP and the new WRF.

7.2.2 Contractor

This element of the Project is being delivered via a conventional design-bid-build procurement process. The Conveyance Facilities are currently under design and will begin construction in the spring of 2020.

7.2.3 Project Scope

The Conveyance Facilities originally included the design of approximately 3.5 miles of pipelines and a lift station located near the existing WWTP. The pipelines include two raw wastewater forcemains and a wet weather/brine discharge forcemain. Several changes to the Conveyance Facilities have occurred since the contract was executed with WWE including the addition of a second, smaller lift station near the intersection of Main Street and Highway 1 and the addition of the potable reuse forcemain to either the east or west injection site.

7.2.4 Current Progress

WWE, City staff, and Carollo presented the preferred lift station orientation (dual) and the recommended pipeline alignment (west of Highway 1 along Quintana Road) to WRFCAC and the City Council in December 2018 and January 2019, respectively. An internal draft of the BODR was also delivered to staff in February 2019. WWE, City staff, and Carollo are still in the process of updating the internal draft before the Draft BODR is presented to WRFCAC and City Council. While the actual Draft BODR has not yet been made available, all of the cost and technical information has been presented several times in WRFCAC and City Council meetings. WWE has started the development of the 60 Percent Design Submittal at this time.

7.2.5 Upcoming Activities

WWE has been working to complete the field work necessary to complete the 60 Percent Design Submittal over the last several months. These activities include surveying and geotechnical investigations. These activities must be completed before the 60 Percent Design Submittal can be completed.

7.2.6 Project Challenges

Access to private property has caused delays in this element of the property. In order to advance the design of the Conveyance Facilities, access to PG&E and Vistra property is required. Access to these properties has proven time consuming and challenging.

Table 14 Conveyance Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost ⁽¹⁾	\$23.5M	\$0M	
Change Order Cost	\$2.4M	\$0M	
Number of Feet of Pipelines Constructed	18,500 LF	0 LF	
Number of Days of Full Road Closures	0 Days	0 Days	
Number of Hours of Night Work	0 Hours	0 Hours	

Notes:

(1) Project budget and current contract amount - (≤5% over target = Yellow, >5% over target = Red)

Table 15 Conveyance Facilities Summary

Schedule	
Request for Bid / Bid Advertisement	NA
Bid Opening Date	NA
Contract Award / Council Award Date	NA
Notice to Proceed for Construction	NA
Original Final Completion Date	NA
Original Duration (Non-Working Days)	NA
Days Changed by Change Order	0
Actual Final Completion Date (including Non-Working Days)	NA
Schedule Percent Complete	0%
Budget	
Engineer's Estimate	\$25,827,000
Award Amount	\$0
Change Order Total	\$0
Current Contract Value	\$0
Percent Change	0%
Work Completed	
Actual Cost -to-Date	\$0
Percent Complete (Percent Expended)	0%
Length of Pipe Installed (actual to date / planned total)	0 LF / 18,500 LF

	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	0	0	0
Total Responded To	0	0	0	0	0
Total Pending	0	0	0	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Notes:

Acronym List:

- (1) RFI – Request for Information
- (2) PCO – Proposed Change Order
- (3) CO – Change Order
- (4) NOPC – Notice of Potential Claim

7.3 Recycled Water Facilities

7.3.1 Designer

Procurement activities for the designer for the Recycled Water Facilities have not yet been started, but it is anticipated that design will begin in early 2020 following completion of the Phase 1, Phase 2, and Phase 3 hydrogeological work by GSI.

7.3.2 Contractor

This element of the Project is being delivered via a conventional design-bid-build procurement process. The Recycled Water Facilities are currently under design and will begin construction in the spring of 2020.

7.3.3 Project Scope

Since the potable reuse pipeline from the WRF to the selected injection site was moved into WWE's scope for design of the Conveyance Facilities, this element of the Project consists primarily of full-scale injection wells at either the west or east injection sites.

7.3.4 Current Progress

Phase 1 of GSI's hydrogeological work is nearly complete and will be presented to WRFCAC and City Council in May 2019.

7.3.5 Upcoming Activities

GSI is currently working on Phase 2 and City staff and Carollo are working to provide access to the Vistra property to facilitate siting of the pilot injection wells. In addition, GSI is also working to complete the cone penetration tests (CPTs) at Silver City RV Park in order to characterize the east injection location.

7.3.6 Project Challenges

As mentioned previously, access challenges for the Vistra property are also preventing the Recycled Water Facilities from advancing in to Phase 2.

Table 16 Recycled Water Facilities Performance Measures

Performance Measures	Target	Current	Status
Construction Cost (1)	\$3.2M	\$0M	
Change Order Cost	\$0.3M	\$0M	
Selection of the Injection Site	October 15, 2019	NA	

Notes:

(1) Project budget and current contract amount - (<=5% over target = Yellow, >5% over target = Red)

Table 17 Recycled Water Facilities Summary

Schedule					
Request for Proposals	NA				
Proposal Due Date	NA				
Contract Award Date	NA				
Notice to Proceed for Design	NA				
Design Milestones – 30/60/90/Final	30 - NA 60 - NA 90 - NA Final - NA				
Request for Bid / Bid Advertisement	NA				
Bid Opening Date	NA				
Contract Award / Council Award Date	NA				
Notice to Proceed for Construction	NA				
Original Final Completion Date	NA				
Original Duration (Non-Working Days)	NA				
Days Changed by Change Order	0				
Actual Final Completion Date (including Non-Working Days)	NA				
Schedule Percent Complete	0%				
Request for Bid / Bid Advertisement	NA				
Bid Opening Date	NA				
Budget					
Engineer's Estimate	\$3,500,000				
Award Amount	\$0				
Change Order Total	\$0				
Current Contract Value	\$0				
Percent Change	0%				
Work Completed					
Actual Cost -to-Date	\$0				
Percent Complete (Percent Expended)	0%				
	RFIs	Submittals	PCOs	COs	NOPCs
Total Received	0	0	0	0	0
Total Responded To	0	0	0	0	0
Total Pending	0	0	0	0	0
Average Turnaround (calendar days)	0	0	N/A	N/A	N/A

Notes:
 Acronym List:
 (1) RFI – Request for Information
 (2) PCO – Proposed Change Order
 (3) CO – Change Order
 (4) NOPC - Notice of Potential Claim