



Engineering, Operations, & Technology Committee

Authorize an Increase to the Capital Investment Plan FY 2022/23 and 2023/24

Item 8-1

June 10, 2024

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Authorize an
increase to the
Capital Investment
Plan FYs 2022/23
and 2023/24

Subject

Approve and appropriate an increase of \$25 million to the Capital Investment Plan for fiscal years 2022/23 and 2023/24 for a new biennium amount of \$625 million

Purpose

To execute urgently needed rehabilitation work in full compliance with the Admin Code

Recommendation and Fiscal Impact

Increase the Capital Investment Plan by \$25 million
Fiscal Impact of \$25 M

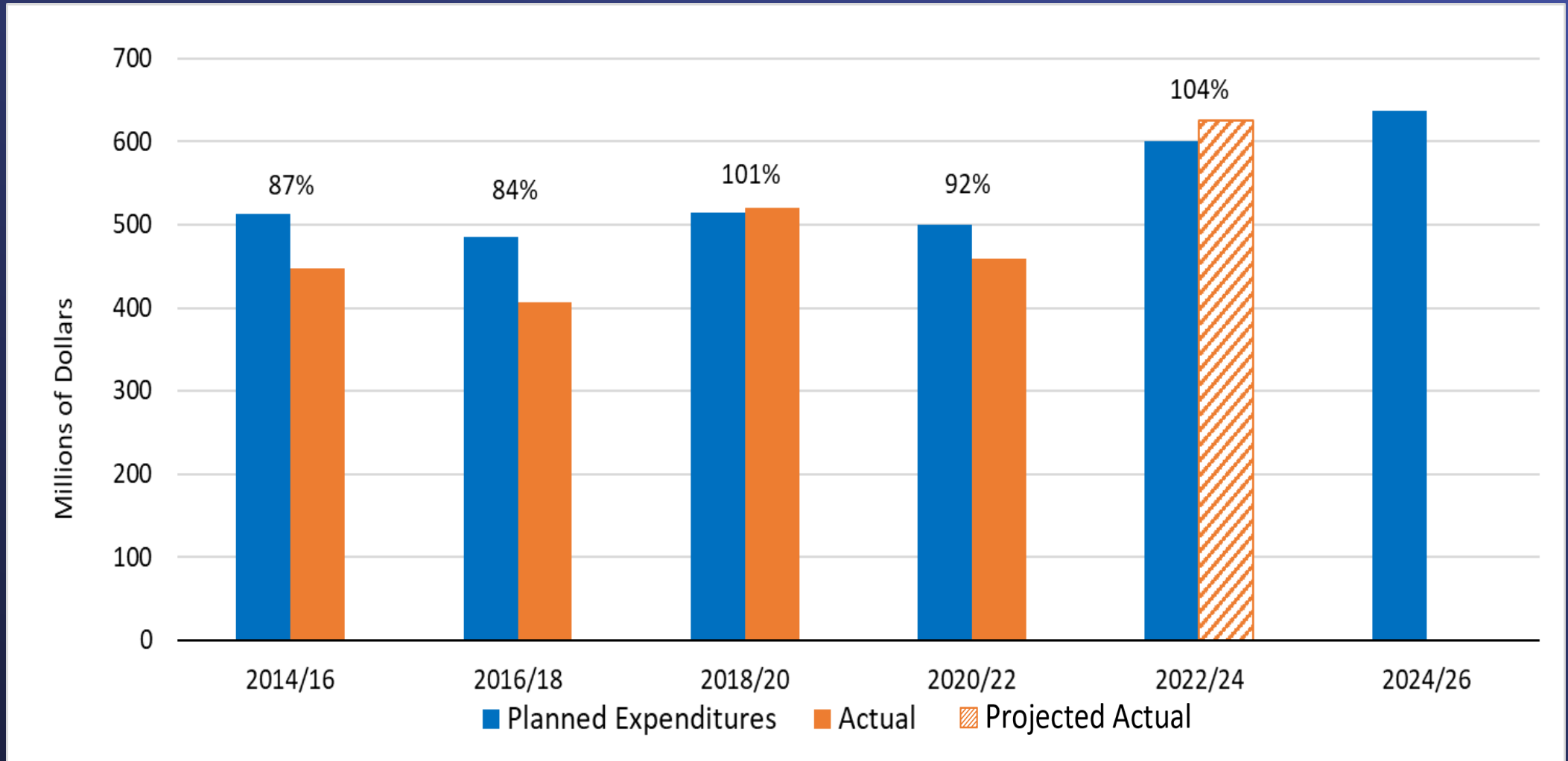
Non-Budgeted

CIP Management

Background

- In 2018, Board revised the CIP funding process
 - Instead of incrementally authorizing & funding each CIP project by phase, Board now fully-funds all projects in CIP at start of two-year budget cycle
 - GM authorized to start or advance projects in the CIP Appendix
 - Staff manages spending within CIP Appropriation
- Revised process has greatly improved CIP expenditure performance

Background: Planned vs Actual CIP Expenditures



CIP Spending Controls

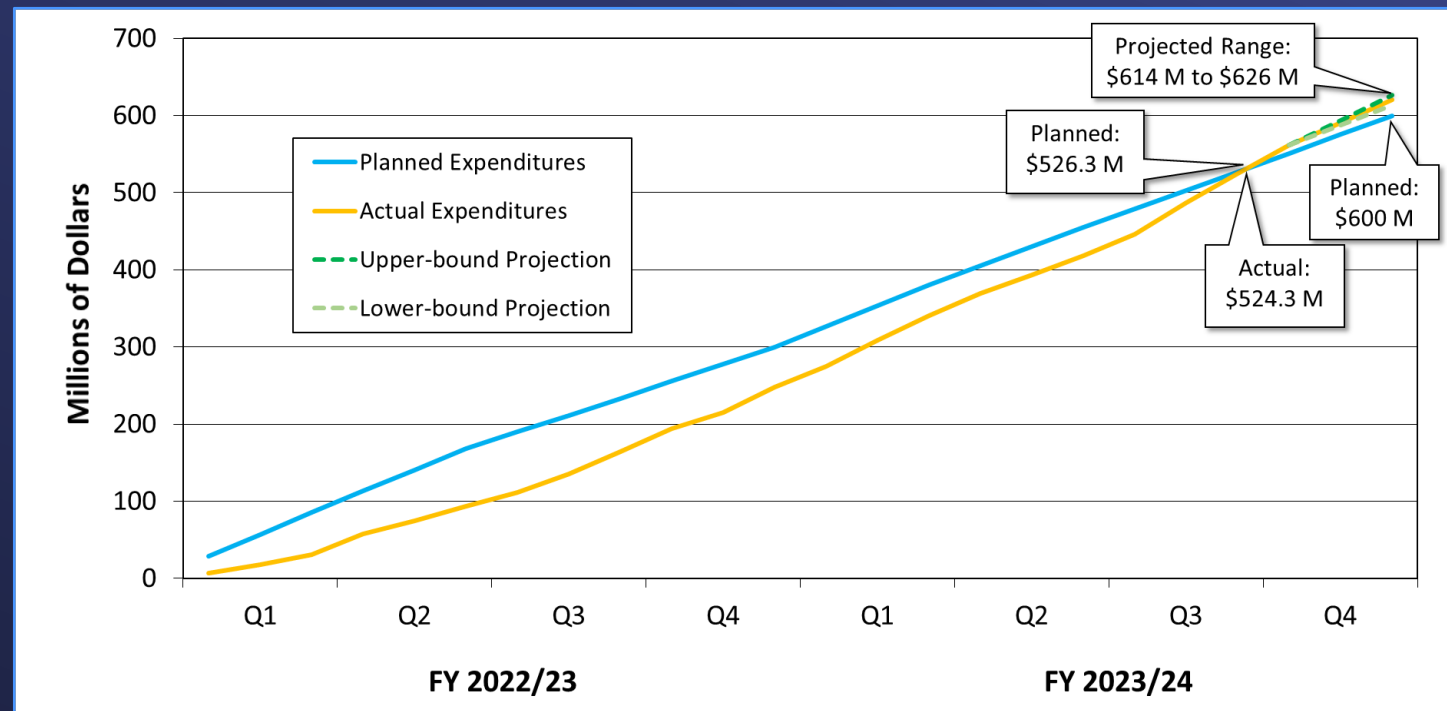
Managing Spending

- Engineering's CIP Office tracks & projects CIP actual spending vs. planned spending
 - In-house labor
 - Consultants
 - Materials/Equipment (District Force Work)
 - Incidentals
 - **Construction/Procurement Contracts**
 - Currently 64 active construction & procurement contracts valued at \$545 M
 - Highly variable cash flow – controlled largely by contractor/supplier work progress

CIP Spending Controls Fine-tuning

Staff monitors spending projections to meet the two-year CIP budget

- Continuous management & tracking project schedules
 - Adjust timing of contract awards to match spend plan
- However, staff has limited control of expenditures at end of the biennium when unexpected changes occur



Urgent Allen-McColloch Pipeline Project

- Urgent rehabilitation of AMP
 - November 2023: discovered wire breaks
 - January 2024: started District Force work
 - February 2024: Board authorized \$22.5 M increase to existing contracts, started pipe fabrication
 - Stage 1 Urgent Repair work (Jan. to June 2024) estimated at \$31M



Fabricating Liner Pipe



Installing PRV Near OC-88

Urgent Allen-McColloch Pipeline Project

- April/May 2024: Install steel liners, carbon fiber lining



Circumferential Welding of
Steel Pipe



Installation of Closure Pipe

Monthly Contract Expenditures Across the Current Biennium

- CIP spending is projected to exceed the \$600 M appropriation due to the unexpected late spike in contract work attributed to urgent AMP repairs

Impact of AMP Expenditures Late in the Biennial Budget Cycle



Alternatives

Alternatives Considered

- Deferring payments to contractors into July
 - CA Contract Code addresses payments beyond 30 days
 - Would effectively reduce funds available in the next biennium for needed capital projects
- Selected Alternative – Increase CIP appropriation by \$25 M for FYs 2022/23 & 2023/24 to a new total of \$625 M
 - ~4% increase
 - Allows for continued management of CIP
 - Coordinated with Finance

Board Options

- Option #1
 - Approve and appropriate an increase of \$25 million to the Capital Investment Plan for FYs 2022/23 and 2023/24 budget for a new biennium amount of \$625 million.
- Option #2
 - Do not increase the budget for the Capital Investment Plan for FYs 2022/23 and 2023/24 at this time.

Staff Recommendation

- Option #1

