



Factoria Recycling and Transfer Station Project Oversight Report



June 13, 2013

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Executive Summary

The Solid Waste Division (SWD) is ready to issue the Request for Proposals to select the contractor for construction of the Factoria Recycling and Transfer Station. SWD's current schedule shows construction contract award and warehouse demolition work occurring later in the year than recommended in their risk register to mitigate weather-related construction risks. We recommend SWD work to award the contract as early as possible in 2014, and continue to consider early warehouse removal. SWD has addressed recommendations from our previous report.



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Factoria Recycling and Transfer Station Project Oversight Report

Report Highlights
June 13, 2013

Project Status

● Scope

There have been no changes to the scope since the project baseline was established in December 2012 by the Solid Waste Division (SWD). The Metropolitan Solid Waste Advisory Committee is discussing the impact of a recent decision by five cities served by the Factoria Recycling and Transfer Station to not sign the Amended and Renewed Solid Waste Interlocal Agreement (ILA). SWD does not plan to change the scope due to the ILA situation.

▼ Schedule

The current schedule to award the construction contract and 2014 construction work needs attention, because it is not aligned with target dates identified in the project risk register to mitigate weather-related construction risks. SWD is at least 45 days behind their baseline schedule for issuing the request for proposals to construction contractors.

● Budget

The project budget includes a 15-percent construction contingency which should be adequate for the known risks. The baseline budget and expenditures are summarized below.

Baseline Budget	Life-to-Date Expenditures ¹	% Budget Spent	Budget Balance Remaining
\$88,820,000	\$19,096,870	21.5%	\$69,723,130

1. Through the April 2013 closed month recorded in the County's financial system.

▼ Risks

SWD's current schedule shows the contract award and 2014 construction work beginning later in the year than recommended in the risk register to mitigate weather-related risks.

Until all permits have been obtained, unexpected permit conditions could require SWD to revise their design and contract documents and could impact the contractor procurement schedule.

Although SWD indicates their schedule provides sufficient time for the contractor to mitigate weather-related risks, upcoming technical discussions with proposing contractors will provide SWD with additional input needed to evaluate their schedule assumptions.

Recommendation

SWD should work to accelerate the contractor selection process and award the construction contract as early as possible in 2014. SWD should also continue to consider early warehouse structure removal as recommended in the risk register.

● = No Current Concerns

▼ = Attention Needed

⬮ = Corrective Action Needed

Scope, Schedule and Budget Update

As planned when our last oversight report was published on February 5, 2013, the Auditor's Office has reviewed the baseline document for the Factoria Recycling and Transfer Station (RTS) project. We have also reviewed the risk register, current schedule, and expenditures through April 2013 for the project, as summarized below.

Scope

There have been no changes to the Factoria RTS project scope since the baseline was established in December 2012. SWD does not plan to change the scope in response to a recent decision by five cities to not renew the interlocal agreement (ILA) for solid waste services expiring in 2028.

The baseline scope established by SWD in December 2012 includes constructing an 80,000 square foot solid waste facility, summarized in Exhibit A below. The scope calls for the new facility to be constructed in stages adjacent to the existing Factoria RTS, which will remain open until the new facility is completed. The scope also calls for demolishing two existing warehouse buildings to make room for the new facility and demolishing the current Factoria RTS once the new facility is open. The tipping floor of the new facility will be flat, providing SWD with greater flexibility to handle changes in the volume and types of waste which may need to be processed over time. The new facility will also provide a larger trailer lot, offering a new location for SWD to store and service transfer station equipment as needed. The sloping site requires construction of four retaining walls.

Exhibit A: Square Footage Summary

Functional Area	Square Feet
Transfer Building Tipping Floor	52,900
Transfer Building Lower Level	17,700
Operations and Maintenance Building	4,600
Household Hazardous Waste Building	4,800
Total	80,000

Source: Factoria Recycling and Transfer Station Replacement Project
Intermediate Basis of Design Report, June 2012

The baseline scope is based on the updated waste forecast for 2030 completed by the Solid Waste Division in 2012. The Factoria RTS project is one of four recycling and transfer station replacement projects included in the Solid Waste Transfer and Waste Management Plan approved by the King County Council in December 2007.

SWD reports that 32 cities have approved the new ILA, extending solid waste services agreements with King County to 2040. Five cities (Bellevue, Clyde Hill, Hunts Point, Medina and Yarrow Bay) recently decided not to sign the new ILA. These cities generate approximately 50% of the waste processed at the Factoria RTS, and although waste from these cities is contractually committed to the King County system until 2028, the new facility could be overbuilt if the five cities don't renew by the time the current ILA expires in 2028. The impact of this decision on the Factoria RTS project and the County's transfer station network is under discussion by the Metropolitan Solid Waste Advisory Committee (MSWAC). This may create a scope risk.

SWD does not foresee needing to change the project scope, noting that the new facility is required to meet level of service criteria adopted in consultation with the County's partners for the regional solid waste system and to accommodate solid waste growth expected under the current ILA.

Schedule **SWD's procurement process to select the construction contractor is at least 45 days behind schedule. The current schedule to award the construction contract and perform initial construction work is not aligned with the action plan in the project risk register to mitigate weather-related construction risks.**

SWD's current schedule for awarding the construction contract, completing warehouse demolition, and initial soil cuts is later than recommended in their action plan shown in the risk register, reducing the time available for mitigating weather-related risks during the first year of construction. This is discussed further in the "Risks" section on page 6 of this report. SWD's current schedule is consistent with the risk register for the excavation work associated with the Household Hazardous Waste Building planned for 2016, which includes constructing the largest retaining wall on the project.

Exhibit B summarizes the project schedule status. The next major milestone is issuance of the request for proposals (RFP) to select the construction contractor. The baseline date for issuing the RFP was April 29, 2013. SWD's current forecast is June 13, 2013, approximately 45 days late, and is dependent upon the Metropolitan King County Council approving the contractor selection criteria. Project design work is largely complete. SWD plans to finalize it using feedback received from construction contractors

participating in the RFP process, prior to requesting the best and final offer of construction cost, which must be considered as part of the contractor selection.

Exhibit B - Baseline Schedule Update as of 4/24/13 for Remaining Project Milestones

Milestone	Baseline Schedule Date	Current Schedule Forecast Date	Variance Days Ahead or (Behind) Baseline Schedule
Issue RFP for Construction Contractors	4/29/13	6/13/13	(45)
Contract Award	4/21/14	4/28/14	(7)
Commissioning Transfer Station and Operations Buildings	4/18/16	12/29/15	111
Commissioning Household Hazardous Waste Building	7/11/17	3/27/17	106
Project Closeout	8/28/18	5/16/18	104

Source: Factoria Recycling and Transfer Station Replacement Project Schedule Update, April 24, 2013.

Budget **The \$88.8 million baseline budget for the project appears to have adequate contingency for the risks identified to date.**

Approximately \$19.1 million has been spent on the project through April 2013, the current closed month in the County's financial system. This is summarized in Exhibit C below. The project has approximately \$5.5 million remaining in the design budget, which should be adequate to refine and finalize the design using construction contractor input, and negotiate and award the contract.

Exhibit C – Life-to-Date Baseline Budget Performance through April 30, 2013

Phase	Baseline Budget¹	Expenditures thru April 2013²	% Budget Spent	Budget Balance Remaining
Planning and Design	\$15,612,000	\$10,170,664	65.1%	\$5,441,336
Construction	\$62,538,000	\$848,227	1.4%	\$61,689,773
Closeout	\$2,587,000	\$0	0.0%	\$2,587,000
Acquisition	\$8,083,000	\$8,077,979	99.9%	\$5,021
Total	\$88,820,000	\$19,096,870	21.5%	\$69,723,130

1. As shown in the December 20, 2012 "Factoria Recycling and Transfer Station Baseline Report."

2. As recorded in the County's EBS Financial System.

Council has appropriated approximately \$84 million to date for the Factoria RTS. The Executive may need to request supplemental appropriations if SWD is unable to achieve cost savings or effectively manage contingency spending. SWD's baseline budget includes a 15% contingency for

construction, or approximately \$7 million. The contingency should be sufficient for the project risks identified to date, and SWD should evaluate whether they need to request additional appropriation to reach the full amount of the baseline budget when they know the construction contract amount.

Opportunities for Additional Savings

SWD has confirmed they do not plan to build the roof-top mounted solar panel system questioned by the Auditor's Office in our February 5, 2013 oversight report. The division expects to receive LEED Gold certification for the project without the solar panel system. By removing the \$400,000 solar panel system, the lifetime incremental cost to achieve LEED Gold falls within the two-percent limit established in the County's green building code. The roof planned for the project can accommodate a solar panel system in the future, should technological improvements make the return on investment more attractive.

SWD obtained a review of the design of the administration building by the Facilities Management Division (FMD) as recommended in the February 5, 2013 report. FMD did not identify any cost savings, but suggested that SWD consider revising the design of several areas to increase flexibility for multiple uses, including providing short-term workspace for county employees during emergency events and adding video-conferencing capabilities for meetings.

SWD has also reduced the cost of the aesthetic wall treatment planned for a 35-foot tall retaining wall included in the project and plans to seek additional cost reduction opportunities through discussions with the construction contractors participating in the RFP process.

The Auditor's Office has not identified any additional opportunities for cost savings since our last report, but we will continue assessing this, including monitoring the feedback SWD receives from construction contractors during the selection process.

Selection of Construction Contractor

The process for selecting the construction contractor includes up to \$400,000 in honorarium costs. Council's Budget and Finance Committee is currently considering contractor selection criteria proposed by SWD.

As noted in the "Schedule" section on page 2, the next major milestone is issuance of the RFP to select the construction contractor for the project.

SWD is using competitive negotiation under RCW 36.58.090 for the selection process. This approach is unique to solid waste processing facilities, offering the County flexibility to consider multiple factors, in addition to the bid price, when selecting the construction contractor.

SWD, in consultation with the County's Finance and Business Operations Division (FBOD), decided to include an honorarium for qualified contractors as part of the RFP to help generate contractor interest. The honorarium is also intended to help cover the cost to proposing contractors of providing input which SWD intends to use to refine the project design and construction schedule with the goal of identifying efficiencies and lowering costs. This type of honorarium was also paid to contractors for the County's Bow Lake RTS project. Under the terms of the RFP, the County could be obligated to pay up to \$400,000 in honorarium costs, if all eligible firms proceed through the entire procurement process and no contract is awarded. Each of the four firms selected to propose will receive a \$50,000 payment for submitting a proposal. Another \$50,000 will be paid to each firm who submits a best and final offer but is not awarded a contract to build the project. We encourage SWD to continue to work closely with FBOD to optimize the County's use of the competitive negotiation process.

Risks

The RFP includes contractor selection criteria which must be approved by Council. Council's Budget and Financial Management Committee is currently scheduled to consider the criteria proposed by SWD in June.

SWD's current schedule shows the initial construction work for the project beginning later in the year than recommended in the risk register to mitigate weather-related groundwater risks.

SWD has prepared a detailed project schedule and risk register for the project, which will be updated using feedback from the technical discussions with the proposing construction contractors. The risk register identifies weather-related earthwork time constraints as a high risk. High groundwater levels and anticipated flows from site dewatering contribute to this risk and are addressed in the action plan to mitigate this risk as follows:

- Award the construction contract "...in late winter to allow for initial soil cut to occur when the groundwater table is dropping."
- "Award contract or partial award of phase 1 demolition of [warehouse] buildings to allow completion of demolition in early winter prior to major grading activities."

SWD's current project schedule shows the construction contract award in late April and the warehouse building demolition work completed in mid-summer. This reduces the time available to the contractor to complete weather-sensitive work during the first dry-weather construction season. SWD is looking for opportunities to re-use and recycle the warehouses. They originally planned to confirm their approach by April 30, but discussions are continuing. SWD is also considering removal of the warehouses ahead of awarding the overall project construction contract.

Although we have concerns with the conflict between the risk register and SWD's schedule for the initial phase of construction, we have not identified conflicts with the schedule for earthwork in the later phases of construction. SWD indicates they are confident their current schedule provides sufficient time for the contractor to mitigate the weather-related risks during the first and subsequent years of construction. Upcoming technical discussions with proposing contractors will provide SWD additional input needed to evaluate their schedule assumptions.

SWD is currently 45 days late in issuing the RFP for construction contractors, and will need to allow adequate time for a public hearing and council approval of the construction contract award, as required by state law for the negotiated procurement process. SWD will need to work effectively with Finance and Business Operations Division and council staff to meet, or accelerate where possible, their schedule for awarding the construction contract.

Recommendation

SWD should work to accelerate the contractor selection process and award the construction contract as early as possible in 2014. SWD should also continue to consider early warehouse structure removal as recommended in the risk register.

Until all permits have been approved, unexpected permit conditions could require SWD to revise the project design and schedule.

SWD is working to obtain the final permits for the project in advance of finalizing design work and requesting contractors to provide the best and final offer of construction costs. An important permitting goal was to receive approval from the City of Bellevue to discharge site dewatering necessary for construction into a nearby tributary. SWD reports success in negotiating with Bellevue to allow the discharge of up to 2.63 cubic feet per second into

the tributary from October 1 – April 30. SWD believes this should address most – if not all – of the winter season groundwater discharge needs. Bellevue will allow summer discharge flow rates of up to seven cubic feet per second, which should also be adequate. SWD is also awaiting a permit from Department of Ecology, and when received will incorporate final permit conditions, as necessary, in the design and contract documents for the project.

Progress on Items From Previous Report

Since our last report dated February 5, 2013, SWD has made progress in a number of areas previously identified as important project elements. They have:

- Obtained review from FMD regarding design space for operations and maintenance areas and confirmed compliance with county space standards.
- Negotiated the Project Labor Agreement on schedule.
- Selected the contractor short list April 8, on schedule.
- Submitted a legislative request to approve contractor selection criteria on May 6, 2013.
- Addressed Auditor’s Office concerns on the LEED lifecycle cost analysis for green building features.

Plans for Continuing Oversight

The Auditor’s Office will continue monitoring the Factoria RTS project, issuing reports at significant milestones or project developments relevant to upcoming County Council policy decisions.

We appreciate the collaborative efforts of SWD and council policy staff contributing to effective project oversight consistent with council intent.