



Responses to DLS FY2016 Capital Budget Analysis and Testimony

March 2015

1. Summary of Issues, page 2. The Department of Legislative Services (DLS) recommends that MES comment on the impact of CIP changes on its ability to complete capital projects in a timely manner within budget.

MES response: As stated in the summary, changes to the CIP from year to year can be attributed to project readiness, funding availability, or changing priorities. MES has been striving to improve planning of projects and schedules so funding is available when the projects are ready. MES will not defer projects that are governed by compliance deadlines, but works with DBM to develop a plan that is affordable to the State without compromising the environment or the safety of employees.

MES staff from several departments meets bi-weekly to review project status and discuss issues that may affect the schedule of ongoing projects. This has achieved several things: it ensures project milestones are regularly tracked, and identifies the cause of any roadblocks so that action can be taken in a timely manner to minimize the fiscal impact and shorten any delays. In the past year, bids for construction costs have risen and MES has adapted by restructuring the bid form. To alleviate potential funding shortfalls, the A/E has been instructed to structure the bid so that the most critical work remains part of the base bid, while the remainder of the scope is listed as additive alternates. This allows us to keep the project moving forward, especially when we have to meet compliance deadlines.

2. Eastern Correctional Institution–Cogeneration Plant Upgrades, page15. DLS recommends that MES prepare and deliver to the Department of Budget and Management (DBM) a cost-benefit analysis on the proposed fiscal 2020 low-pressure steam boiler procurement as part of MES’s fiscal 2017 request package.

MES response: MES will prepare a cost-benefit analysis for the proposed low-pressure steam boiler and include it in the FY17 budget request to DBM.

3. Eastern Correctional Institution – WWTP Upgrade, page 16. DLS recommends that MES comment on whether it used a 90% or 95% regional construction factor for the construction work anticipated to begin October 2015 and how it will value engineer the project to absorb the cost increase if it used a 90% regional construction factor.

MES response: MES used the 90% regional construction factor on the initial cost estimate worksheet and has continued to use it on subsequent CEWs. The CEW for the current budget request has the new estimates provided by the A/E firm based on the 30% design.

The CBIS amount reflects that cost estimate. The cost estimate will be further refined as we get closer to 100% design, and out-year requests will be adjusted to allow for any increases. The A/E firms will be instructed to structure the bid form so that items critical for meeting the permit are in the base bid so as to be within our appropriated funding. Additional items of work can then be put into the bid as Additive Alternates or possibly bid as a separate contract. Work on the solids treatment and handling system is an example of work that could possibly be done as a stand-alone project.

4. CIP Changes Challenge Project Completion, Page 18. DLS recommends that MES comment on the impact of CIP changes on its ability to complete capital projects in a timely manner within budget.

MES response: *Please see the response to Question 1 above.*