



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

**SUBJECT: WATER POLLUTION CONTROL
PLANT RELIABILITY
IMPROVEMENTS PROJECT**

DATE: 06-04-07

Approved

Ray Wines

Date

6/7/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Approval of a contingency budget increase for the project entitled, "San José/Santa Clara Water Pollution Control Plant Reliability Improvements Project," by \$2,000,000 from \$6,952,200, to a total contingency budget of \$8,952,200, with no change to the term of contract with Kiewit Pacific Company.

OUTCOME

The approval of this contingency increase will ensure sufficient funding for the remaining, and expected additional change orders associated with the final stages of the WPCP Reliability Improvements project. The benefit of which will allow the project to reach completion without further delays associated with the final tasks.

BACKGROUND

The Plant Reliability Improvements Project has the primary objective of improving the Plant's ability to handle wet-weather flows as well as enhancing the reliability of several of the facility's critical systems, such as the headworks, filtration, and associated pumping stations. On February 15, 2005 Council awarded the work to the low bidder, Kiewit Pacific Company in an amount of \$69,522,000; and approved a contingency in an amount of \$6,952,200 to cover unforeseen costs associated with the project.

The project is currently at 92% completion and has a target completion date of September, 2007, which is eleven months ahead of schedule.

ANALYSIS

As originally appropriated, this project had a contingency of \$6,952,200, representing 10% of the total construction costs. To date, approximately \$6,843,372 has been authorized for specific change orders. Of this amount, \$4,743,000 has been expended to overcome unknown and unforeseen conditions during construction such as the relocation of underground utilities and the

improvement of soil conditions. In addition \$2,100,000 was expended to mitigate asbestos contaminated soils.

While many of these change orders were of an expected nature on a large and complex project such as this one, the intensity and complexity of work needed to develop solutions proved to be significantly higher than anticipated. The discovery of asbestos on-site during excavation, and the required mitigation measures to protect the construction workers, was a significant burden on the project. Such a large amount of the contingency being spent during the early phases of construction has created a lack of contingency funds as the project enters the final phase of construction when projects typically encounter a greater portion of the overall change orders.

Staff has identified and estimated the need for an additional \$2,100,000 worth of change orders to complete the final phase of this project. These changes include the completion of start-up testing and associated issues, dispute resolution of change requests, and completion of landscaping and grading associated with the project. Final start-up testing is scheduled to take place during July 2007.

Offsetting these contingency increases are the realized and projected savings within the project's current appropriation. The total estimated savings to date is approximately \$1.6 million, and anticipated staff savings from an earlier than expected completion date is estimated at no less than \$700,000.

Staff therefore requests a contingency increase of \$2,000,000 from available funds within the appropriation. This change is required for the successful completion of this project. With this additional funding, the total contingency for this project will be at 12.8% of the project construction costs. Staff believes that this additional 2.8% is a reasonable increase considering the scope of the project, the potential cost savings from completing the project eleven months ahead of schedule, and the benefits of having the wet-weather capacity prior to the 2007 wet-weather season. Staff continues to work very closely with the contractor and Plant O&M staff to reduce the scope of any additional changes to the project. The total estimated additional change costs are anticipated to be below the 2.8% allocated.

POLICY ALTERNATIVES

Alternative #1 Request for Bids to implement the change order work and issue a separate contract for the additional work.

Pros: Possible lower cost bid from an alternate construction company.

Cons: Lack of continuity in construction. Possible higher cost bids. Negative impacts to project schedule and potential construction change orders and claims.

Reason for not recommending:

Seeking a new contractor could result in substantial delay, in addition to the loss of efficiency for a new contractor to gain familiarity with the project. These delays could result in construction change orders and claims.

Alternative #2 Complete the project with internal resources.

Pros: Possible lower costs for total project delivery.

Cons: Lack of means and experience in heavy construction work.

Reason for not recommending:

City staff is already providing the support at the capacity and skills available for the construction management task. Further, Plant staff is already providing support related to the instrumentation and programming, aiding with various shut-downs and tie-ins on the project. Currently, no internal City resources exist to support the additional change order related work which typically involves heavy civil and mechanical construction work requiring specialized equipment and skills.

PUBLIC OUTREACH/INTEREST

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criteria 1 above. This amendment memo will be posted on the City's website for the June 26th, 2007 Council Agenda.

COORDINATION

This amendment and memorandum have been coordinated with Risk Management, Equality Assurance, the City Manager's Budget Office, and the City Attorney's Office. This item is scheduled to be heard at the June 14, 2007 Treatment Plant Advisory Committee meeting.

FISCAL/POLICY ALIGNMENT

This project amendment is consistent with the Council approved budget principle of protecting our vital core city services while we continue to support the economic development strategy of emphasis on new developments. This project further supports the economic recovery strategy, in that it will help to stimulate construction spending in our local economy.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$2,000,000	
Project Development	\$ 770,000
Project Delivery*	3,468,800
Construction Management**	2,658,000
Design	3,450,000
Construction	69,522,000
Contingency	6,952,200
Proposed Contingency Increase	<u>2,000,000</u>
TOTAL PROJECT COSTS	\$88,821,000

* Includes city staff costs

** Construction support services contract with Carollo Engineers.

2. SOURCE OF FUNDING: 512 - San José/Santa Clara Treatment Plant Capital Fund
3. FISCAL IMPACT: No additional funding is necessary to fund this recommendation. The anticipated savings from project delivery is a sufficient source for the recommendation.

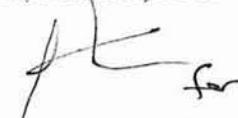
BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2006-2007 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
<u>512</u>	<u>6585</u>	WPCP Reliability Improvements	<u>101153</u>	\$5,026,000	\$2,000,000	V-153	10-17-2006 Ord No.27888

CEQA

Emergency Basin Exempt: File Number, PP03-05-183

WPCP Reliability Improvements Exempt: File Number, PP04-07-217



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Director, Environmental Services

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