



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean
David Sykes

SUBJECT: SEE BELOW

DATE: 05-02-11

Approved

Date

5/9/11

COUNCIL DISTRICT: City-Wide

SUBJECT: CONTRACT CHANGE ORDER NO. 6 FOR THE "SWITCHGEARS M1, M2 & M3 REPLACEMENT DESIGN-BUILD PROJECT" AT THE SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT

RECOMMENDATION

Adopt a resolution authorizing the Director of Environmental Services or his designee to negotiate and execute Contract Change Order No. 6 to install new remote control, relay protection and monitoring equipment as part of the Switchgears M1, M2 & M3 Replacement Design-Build Project in an amount not to exceed \$400,000.

OUTCOME

Approval of this recommendation will allow the Director of Environmental Services to negotiate and execute Contract Change Order No. 6 with the project contractor, Rosendin Electric, to provide the materials and labor for installing new remote control, relay protection and monitoring equipment for the existing 115KV Substation equipment in the new 115KV Relay Building that is being built as part of this project. This change order is not expected to add any additional time to the Contract.

BACKGROUND

In May 2010, City Council approved the award of the Switchgears M1, M2 & M3 Replacement Design-Build Project to Rosendin Electric, Inc., in the amount of \$8,386,978 and established a contingency of 15% in the amount of \$1,258,047. The project includes removal and replacement of the existing switchgear M3, installation of the 115KV Relay Building and installation of associated interconnecting cables.

The remote control, relay protection and monitoring equipment that the proposed change order would add replaces equipment currently located inside the existing switchgear M3. Because the existing switchgear M3 is being removed and replaced, the existing remote control, relay

protection and monitoring equipment located inside switchgear M3 also needs to be replaced. The project scope has always been to put the new remote control, relay protection and monitoring equipment in the new 115KV Relay Building that is being installed as part of the project.

Although the replacement of switchgear M3 necessitated the installation of new remote control, relay protection and monitoring equipment, staff initially decided not to include this in the project. Staff made this decision because at the time the City awarded the contract for the project, staff was unable to verify the existing equipment. Additionally, the design of these elements is very equipment/maker specific. Due to the safety and reliability implications of an inappropriately designed relay protection system, City staff decided that it was more prudent to wait until it could verify the existing equipment before proceeding with the design of the new equipment. Staff planned on purchasing the new equipment separately and installing it using City electrical maintenance staff familiar with the existing 115KV Substation equipment and its integration into the Plant distribution system.

ANALYSIS

Over the last few months, staff completed verifying as-built conditions and reviewed and approved the contractor submittals of the switchgear equipment. Staff has also completed the detailed design of the new remote controls, relay protections and monitoring equipment. Staff has since re-evaluated the original plan of procuring the equipment and installing it using City forces. Staff now has determined that this work is best performed by the contractor as part of the current project. The reasons for this determination include the following:

- The scope of work related to the installation of new remote controls, relay protection and monitoring equipment is much larger than originally anticipated, thus requiring extensive resources above and beyond those possessed by the City's typical electrical maintenance staff.
- Over the last several months, the Plant has sustained a significant loss of experienced staff due to retirements and departures resulting in a significant reduction of filled positions available for day-to-day operations. At current staffing levels, there is now a lack of capacity to perform the work using City staff.
- Over the last five years, Rosendin Electric has successfully installed a number of electrical switchgears and motor control centers at the Plant. Rosendin Electric is also very familiar with the Plant's electrical system.

The cost of Contract Change Order No. 6 would include materials and labor to install the new remote control, relay protection and monitoring equipment for the existing 115KV equipment. It is anticipated that the cost of this work would not exceed \$400,000.

The total approved contingency for this project is \$1,258,047. The project is currently at 60% completion with an available contingency balance of \$968,637. Therefore it is anticipated that the cost of this change order will be within the limits of the existing contingency and no additional fund adjustment is required. This change order work is not expected to add any additional time to the Contract.

EVALUATION AND FOLLOW-UP

The project is currently within budget with a projected completion date of December 2012. No other follow-up action with the Council is expected at this time. Should start-up or testing conditions warrant additional change orders to be executed that require Council action, staff will bring forth those recommendations at that time.

POLICY ALTERNATIVES

Alternative # 1: Not authorize the director to negotiate and execute Change Order No. 6, and have the City purchase and install the new equipment using City staff.

Pros: Potential cost savings as City staff labor costs would likely be lower than the contractor's costs and no need to develop detailed plans and specifications for contractor installation.

Cons: Questions regarding whether City staff has the expertise to install the new equipment given that the installation is much larger than originally anticipated. Negative impacts of diverting limited staffing resources from current electrical maintenance activities.

Reason for not recommending: Scope of work for the installation of the new equipment became much larger than originally anticipated. The City does not have the resources to perform the work in-house. The new work can be performed more efficiently and effectively by the contractor.

Alternative #2: Not authorize the director to negotiate and execute Change Order No. 6, and bid this new work out as a separate construction project.

Pros: Possibility of lower construction costs as a result of competitive bidding process.

Cons: Overall project cost would almost certainly be higher because this approach would require Rosendin Electric to stop work, demobilize and then remobilize once the other contractor had completed its work. There would also be an issue of coordinating the work of two contractors. The current project also might take longer, which might result in additional project costs. Separate sets of plans and specification documents will have to be developed for bid and must go through a separate bidding process, which will require additional staff time and costs associated with the bidding process.

Reasons for not Recommending: Entering into a change order with the current contractor provides a much more efficient and effective way to perform the additional work.

PUBLIC OUTREACH / INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**

- Criterion 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)**

- Criterion 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 action does not meet any of the above criteria. This memorandum will be posted on the City's website for the May 24, 2011 Council Agenda.

COORDINATION

This project and memorandum have been coordinated with the City Manager's Budget Office and the City Attorney's Office. This item is scheduled to be heard at the May 19, 2011, Treatment Plant Advisory Committee (TPAC) meeting.

COST SUMMARY/IMPLICATIONS

This action requires no additional funding. The \$400,000 required for this change order is covered by the contingency approved by Council on May 24, 2010. These funds are encumbered and available for this purpose in the San José-Santa Clara Treatment Plant Capital Fund, Plant Electrical Reliability appropriation.

CEQA

Exempt, PP04-03-079

/s/
DAVID SYKES
Acting Director, Public Works

/s/
JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Bhavani Yerrapotu, Technical Services Division Manager, at 408.945-5321, or Michael O'Connell, Acting Deputy Director of Public Works, at 408.535-8300.