



# Memorandum

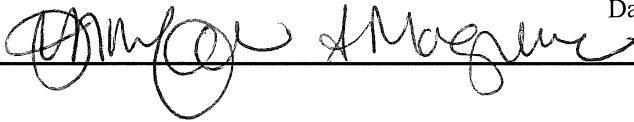
**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kerrie Romanow

**SUBJECT:** SEE BELOW

**DATE:** February 20, 2018

Approved



Date

2-21-18

## INFORMATION

**SUBJECT: UPDATE ON CONSTRUCTION CONTINGENCY USE FOR CAPITAL IMPROVEMENT PROJECTS AT THE REGIONAL WASTEWATER FACILITY**

## BACKGROUND

On November 28, 2017, City Council (Council) approved an increase to the construction contingency allowance for the Digester and Thickener Facilities Upgrade Project at the San José - Santa Clara Regional Wastewater Facility (RWF). As a follow-up to this action, staff was asked to provide information to Council about the use of construction contingencies on other Capital Improvement Program (CIP) projects at the RWF. This memorandum provides an update referencing all projects completed since July 2013 as part of the current ten-year CIP.

## ANALYSIS

A total of 15 CIP projects at the RWF have been completed since July 2013. Of these projects, 12 were completed for less than the original approved construction contingency amount and three required additional contingency increases which was authorized by Council or the Director of Public Works.

Table 1 provides a summary of construction contingency use for the 15 projects.

**Table 1**  
**Construction Contingency Use on RWF CIP Projects**

	Project Name	Base Contract Amount (\$)	Original Approved Contingency (\$)	Additional Contingency Increase (\$)	Total Approved Contingency (\$)	Approved Contingency (as percent of contract)	Actual Amount of Contingency Used (\$)	Unused Contingency Balance (\$)
1	Dissolved Air Flotation Dissolution Improvements	535,000	80,000	-	80,000	15%	79,355	645
2	DCS Fiber Optics Network Expansion	589,000	58,900	-	58,900	10%	51,633	7,267
3	115KV Circuit Breaker Replacement	344,927	34,493	-	34,493	10%	6,196	28,297
4	RWF Street Treatment Phase-III	336,560	39,000	-	39,000	12%	37,151	1,849
5	Filter Building B2 & B3 Pipe and Valve Replace	158,900	31,780	-	31,780	20%	8,103	23,677
6	Fire Main Replacement - Phase III	1,572,870	157,290	-	157,290	10%	0	157,290
7	BNR2 Clarifier Guardrail Replacement	320,793	32,100	-	32,100	10%	0	32,100
8	Training Trailer Replacement	513,874	51,400	-	51,400	10%	51,001	399
9	Handrail Replacement Phase V	1,145,506	125,463	-	125,463	11%	97,000	28,643
10	Pond A18 Northern Gate Replacement	588,420	58,800	168,919 <sup>1</sup>	227,719	39%	227,390	329
11	Digester Gas Storage Replacement	1,825,100	182,510	-	182,510	10%	166,966	15,544
12	Influent Magnetic Meter & Valve for Nitrification A5 & A6	270,300	27,030	92,970 <sup>2</sup>	120,000	44%	110,128	9,872
13	Fiber Optic Connection	271,692	40,754	-	40,754	15%	13,159	27,595
14	Digester Gas Compressor Upgrade	11,316,000	1,131,600	565,800 <sup>3</sup>	1,697,400	15%	1,614,276	83,124
15	Emergency Diesel Generators	15,310,000	1,531,000	-	1,531,000	10%	906,947	624,053
	<b>Total</b>	<b>35,098,941</b>	<b>3,582,120</b>	<b>827,869</b>	<b>4,409,989</b>	<b>13%</b>	<b>3,369,305</b>	<b>1,040,684</b>

Notes

1. Contingency was increased by \$117,700 and \$51,219 on 8/5/15 and 12/14/15, respectively, by the Director of Public Works
2. Contingency was increased by \$92,970 on 3/15/16 by Council
3. Contingency was increased by \$565,800 on 6/23/15 by Council

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**Subject: Construction Contingency Use – RWF CIP Projects**

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Construction contingency for capital projects are established by Council Resolution No. 71319:

- a. 5% of the total contract amount for street, sidewalk or park projects;
- b. 10% of the total contract amount for utilities and building projects;
- c. 15% of the total contract amount for building renovation projects;
- d. Such other amount as may be approved by the City Council for a particular project.

Original construction contingency approved by Council for 12 of the 15 projects ranged from 10 to 20 percent. For the other 3 projects, Council or the Director of Public Works approved additional contingency increases to allow staff to address unforeseen conditions, make necessary equipment changes and address installation complexities, and comply with updated building code/safety requirements. Across the 15 projects, the total approved contingency amount averaged 13 percent, with a net unused contingency balance of \$1,040,684.

Up to this point, staff has been typically recommending a 15% construction contingency for RWF CIP projects. However, as the program moves forward with delivering larger and more complex CIP projects, staff may recommend higher contingencies to account for the challenge of maintaining continuous operations at the RWF; dealing with the complex and often unknown or uncertain location of the buried utilities on such a heavily developed site; and the complex project interfaces with other concurrent CIP projects underway. Staff will continue to evaluate and make construction contingency recommendations on a project by project basis.

/s/

Ashwini Katak for  
KERRIE ROMANOW  
Director, Environmental Services

For questions, please contact Ashwini Katak, Assistant Director, ESD, at (408) 975-2553.