

SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

VACANT, CHAIR
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PIERLUIGI OLIVERIO, MEMBER
DAVID SYKES, MEMBER
MANH NGUYEN, MEMBER

PAT KOLSTAD, MEMBER
JOSE ESTEVES, MEMBER
STEVEN LEONARDIS, MEMBER
JOHN GATTO, MEMBER
JERRY MARSALLI, MEMBER

AGENDA/TPAC

4:30 p.m.

March 10, 2016

Room 1734

1. **ROLL CALL**
2. **APPROVAL OF MINUTES**
 - A. February 11, 2016
3. **UNFINISHED BUSINESS/REQUEST FOR DEFERRALS**
4. **DIRECTOR'S REPORT**
 - A. Directors Report (verbal)
 - Monthly Progress Report
5. **AGREEMENTS/ACTION ITEMS**
 - A. **Election of the Chair**
 - B. **Confirmation of hearing date and procedures for Administrative Claim Hearing**
 - C. **Construction Contingency Increase and Contract Change Order Authorization for the "7076 – Influent Magnetic Meter and Valve Replacement for Nitrification Clarifiers A-5 and A-6 Project" at the San José-Santa Clara Regional Wastewater Facility**

Staff Recommendations:

 - (a) Approve a \$92,970 increase to the construction contingency amount of \$27,030 for a revised total contingency in the amount of \$120,000 and increase the original contract not-to-exceed amount from \$297,330 to a total revised contract amount not-to-exceed \$390,300.
 - (b) Adopt a resolution authorizing the Director of Public Works to negotiate and execute Contract Change No. 4 with JMB Construction, Inc. for the 7076 – Influent Magnetic Meter and Valve Replacement for Nitrification Clarifiers A-5 and A-6 Project extending the project completion date from February 17, 2014 to May 27, 2016 for a total of 561 working days beyond the original contract completion date of February 7, 2014.

D. 2015-2016 Budget Adjustments for the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program

Staff Recommendations:

- (a) Adopt the following 2015-2016 Appropriation Ordinance and Funding Sources Resolution Amendments in the San José-Santa Clara Treatment Plant Capital Fund:
 - (1) Decrease the estimate for Earned Revenue by \$4,219,000;
 - (2) Decrease the Transfer to the Clean Water Financing Authority Debt Service 2015-2016 by \$1,556,000; and
 - (3) Decrease the Unrestricted Ending Fund Balance by \$3,643,000.
- (b) Adopt the following 2015-2016 Appropriation Ordinance Amendments in the Sewer Service and Use Charge Fund:
 - (1) Decrease the Transfer to the San José/Santa Clara Treatment Plant Capital Fund on or before June 30 by \$980,000; and
 - (2) Increase the Unrestricted Fund Balance by \$980,000.

6. **OTHER BUSINESS/CORRESPONDENCE**

- A. Letter from Mayor Liccardo to the Tributary Agencies
- B. Letter from the Tributary Agencies to TPAC

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

A. Master Agreement Claim Hearing Process

Staff Recommendations:

- (a) Adopt the hearing procedures.
- (b) Schedule a hearing date by March 25, 2016.

This item will be scheduled for a TPAC Administrative Claim Hearing on March 10, 2016.

B. Report on Bids and Award of Contract for the 6970 – Fiber Optic Connection Project at the San José- Santa Clara Regional Wastewater Facility

Staff Recommendation: Report on bids and award of a construction contract for the 6970 – Fiber Optic Connection Project to the low bidder, All Phase Excavating and Construction, Inc., in the amount of \$240,000 and approval of a 15 percent contingency in amount of \$36,000.

The proposed recommendation was approved by Council on February 23, 2016.

8. REPORTS

A. Open Purchase Orders Greater Than \$100,000 (including Service Orders)

The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1.08 million and of services between \$100,000 and \$270,000.

9. MISCELLANEOUS

A. The regular, monthly TPAC Meeting is April 14, 2016, at 4:30 p.m., City Hall, Room 1734.

10. OPEN FORUM

11. ADJOURNMENT

NOTE: If you have any changes or questions, please contact Melrose Cacal, Environmental Services (408) 975-2547.

To request an accommodation or alternative format for City-sponsored meetings, events or printed materials, please contact Melrose Cacal (408) 975-2547 or (408) 294-9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

Availability of Public Records. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at San Jose City Hall, 200 East Santa Clara Street, 10th Floor, Environmental Services at the same time that the public records are distributed or made available to the legislative body.

**MINUTES OF THE
SAN JOSÉ/SANTA CLARA
TREATMENT PLANT ADVISORY COMMITTEE**
City Hall, Council Chambers
Thursday, February 11, 2016 at 4:30 p.m.

1. ROLL CALL

Minutes of the Treatment Plant Advisory Committee convened this date at 4:32 p.m. Roll call was taken with the following members in attendance:

Committee Members: Jose Esteves, Pat Kolstad, Patrick Kwok, Steven Leonardis, Sam Liccardo, Jerry Marsalli, Manh Nguyen, Dave Sykes

2. APPROVAL OF MINUTES

A. January 14, 2016

Item 2.A. was approved to note and file.

Ayes – 6 (Esteves, Kolstad, Leonardis, Liccardo, Nguyen, Sykes)

Nays – 0

Absent – 1 (Oliverio)

Abstain – 2 (Kwok, Marsalli)

3. UNFINISHED BUSINESS/REQUEST FOR DEFERRALS

4. DIRECTORS REPORT

A. Directors Report (verbal)
Monthly progress report

There were no items to report.

5. AGREEMENTS/ACTION ITEMS

A. Master Agreement Claim Hearing Process

Staff Recommendations:

- (a) Adopt the hearing procedures
- (b) Schedule a hearing date by March 25, 2016.

David Wall spoke on this item.

In response to the Master Agreement claim the City of San José received on January 26, 2016, TPAC had a discussion about scheduling a special meeting on one of the following dates and times: Thursday, March 24, 2016 from 9-11 AM in the Wing Committee Rooms; Friday, March 25, 2016 at 9-11 AM or 1 PM in the City Council Chambers. This meeting would be held at San José City Hall.

Based on the availability of and preferences of committee members, TPAC agreed to schedule the special meeting for Thursday, March 24, 2016 at a start of time of 9:30 am per Vice-Chair Liccardo.

Committee Member Esteves referenced a letter that was distributed by the Tributary Agencies at the meeting for Item 5.A. Since TPAC was not able to review the letter prior to the start of the meeting and was not scheduled as an agenda item, Vice-Chair Liccardo suggested a motion to note and file and to move the item to Open Forum for discussion.

B. Report on Bids and Award of Contract for the 6970 – Fiber Optic Connection Project at the San José-Santa Clara Regional Wastewater Facility

Staff Recommendation: Report on bids and award of a construction contract for the 6970 – Fiber Optic Connection Project to the low bidder, All Phase Excavating and Construction, Inc., in the amount of \$36,000.

This item is scheduled for consideration by the City Council on February 23, 2016.

David Wall spoke on this item.

On a motion by Committee Member Leonardis and a second by Committee Member Kolstad, TPAC recommended approval of the Staff Recommendation for Item 5.B.

Ayes – 8 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Marsalli, Nguyen, Sykes)

Nays – 0

Absent – 1 (Oliverio)

6. **OTHER BUSINESS/CORRESPONDENCE**

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

A. Report on Bids and Award of Contract for 6717—Iron Salt Feed Station Project at the San José- Santa Clara Regional Wastewater Facility

Staff Recommendations:

- (a) Report on bids and award of construction contract for 6717- Iron Salt Feed Station Project to the lowest bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$5,205,000 and approve a 15 percent construction contingency in the amount of \$780,750;

- (b) Adopt a resolution authorizing the Director of Public Works to execute one or more change orders in excess of \$100,000 for the remaining duration of the Project, not to exceed the total contingency amount approved for the Project;
- (c) Adopt the following 2015-2016 Appropriation Ordinance Amendments in the San José-Santa Clara Treatment Plant Capital Fund:
 - (1) Decrease the East Primary Rehabilitation, Seismic Retrofit, and Odor Control appropriation to the Environmental Services Department in the amount of \$1,500,000;
 - (2) Decrease the Tunnel Rehabilitation appropriation to the Environmental Services Department in the amount of \$300,000; and
 - (3) Increase the Iron Salt Feed Station appropriation to the Environmental Services Department in the amount of \$1,800,000.

The proposed recommendations were approved by Council on January 26, 2016.

B. Mid-Year Budget Review Strategy for Master Agreement Amendments

Staff Recommendation: Accept the proposed 2015-2016 Mid-Year Budget Review strategy to provide staffing and funding to support amendments to the Master Agreement for Wastewater Treatment between City of San José, City of Santa Clara, and Tributary Agencies.

This item is included in the 2015-2016 Mid-Year Budget Review Report scheduled for City Council on February 9, 2016.

David Wall spoke on this item.

All items under Section 7 were approved to note and file.

Ayes – 8 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Marsalli, Nguyen, Sykes)

Nays – 0

Absent – 1 (Oliverio)

8. REPORTS

A. Open Purchase Orders Greater Than \$100,000 (including Service Orders)

The attached monthly Procurement and Contract Activity Report summarizes the Purchase and contracting of goods with an estimated value between \$100,000 and \$1.08 million of services between \$100,000 and \$270,000.

David Wall spoke on this item.

Item 8.A. was approved to note and file.

Ayes – 8 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Marsalli, Nguyen, Sykes)

Nayes – 0

Absent – 1 (Oliverio)

9. MISCELLANEOUS

A. The next TPAC meeting is March 10, 2016, at 4:30 p.m., City Hall, Room 1734.

10. OPEN FORUM

A. The Tributary Agencies submitted a letter expressing concern that San José staff sent them a request for records. The letter and representatives present from the Tributary Agencies stated that, after the discussion at the February 8 Study Session, they were hoping for a mediated solution to resolve the issues in an expedited manner. San José Mayor Liccardo responded that the information requested in the PRA could be relevant to the issues raised by the claim filed by the Tributary Agencies, including negotiations to resolve the dispute. Since the Tributary Agencies have filed a claim against San José and Santa Clara, the owners must prepare to defend against the claim. Mayor Liccardo reiterated that if the Tributary Agencies wished to withdraw the claim, San José would be open to a course of mediation to resolve the issues. However, the owners cannot mediate to resolve the dispute while at the same time defend against a claim.

B. David Wall spoke.

11. ADJOURNMENT

A. The Treatment Plant Advisory Committee adjourned at 4:56 p.m.

Sam Liccardo, Vice-Chair
TREATMENT PLANT ADVISORY COMMITTEE



San José-Santa Clara
Regional Wastewater Facility

Capital Improvement Program Monthly Status Report: January 2016

March 3, 2016

This report provides a summary of the progress and accomplishments of the Capital Improvement Program (CIP) for the San José-Santa Clara Regional Wastewater Facility (RWF) for January 2016.

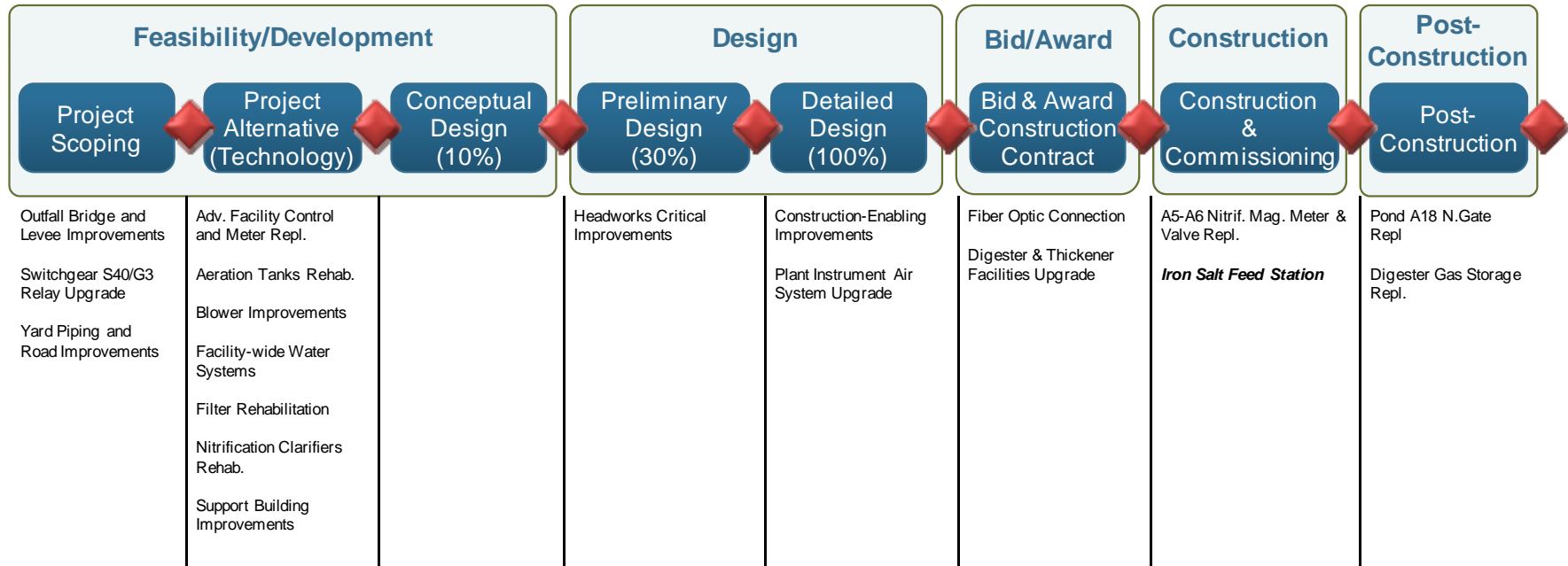
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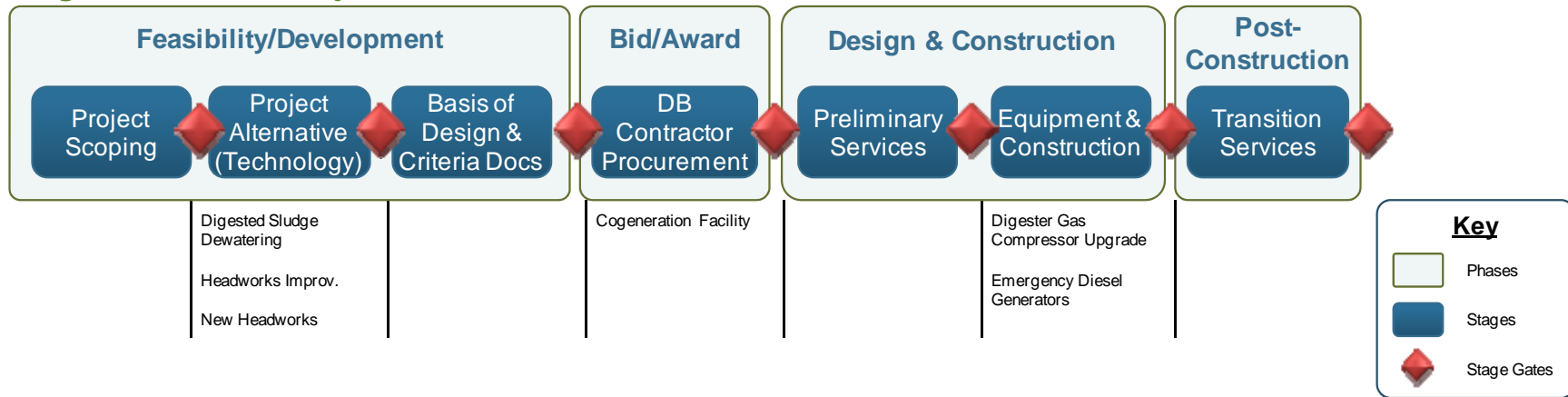


Project Delivery Model

Design-Bid-Build Active Projects



Design-Build Active Projects



*Projects shown in **bold and italics** have advanced this reporting period



Program Summary

January 2016

In January, the CIP progressed on multiple fronts, including several key procurement milestones:

- Staff successfully completed the design phase of the Digester & Thickener Facilities Upgrade Project. The project team advertised the project for construction bidding this month and held a pre-bid meeting and site visit. Eight pre-qualified contractors attended. This \$85 million construction project will include upgrading four existing digesters with new covers, mixing systems, and heat exchangers. The project will also modify low-pressure digester gas piping systems and the dissolved air flotation thickeners to improve co-thickening of combined primary and waste-activated sludge; incorporate odor control; build a sludge screening facility; and rehabilitate the existing flare systems.
- Staff held a pre-proposal meeting with consultants on the Aeration Tanks Rehabilitation and Blower Improvements Projects.
- Staff completed the assessment of the Advanced Facility Control and Meter Replacement procurement and notified the successful consultant. Negotiations on final scope and agreement terms will commence in February.

The City Council (Council) approved the following items previously recommended for approval by the Treatment Plant Advisory Committee (TPAC) in December:

- The 10-year funding strategy update, including staff's recommendation of projects that will seek Clean Water State Revolving Fund (SRF) loans.

Staff presented the following recommendations to TPAC and Council in January:

- Award a \$5.2 million construction contract to Anderson Pacific Engineering Construction, Inc, for the Iron Salt Feed Station Project;

Contract negotiations continued for the Cogeneration Facility Project with design-builder CH2M Hill. Staff anticipates Council award of the design-build contract in April. Staff also met with the State Water Board to commence the application process to seek authorization of SRF loans for this project.

The Plant Instrument Air System Upgrade Project reached the 90 percent design review milestone this month and reviews have commenced. The Construction-Enabling Improvements Project reached the 100 percent design review milestone. Staff anticipates this project will pass through the Authorization to Bid stage gate next month and will be advertised for construction in March 2016.

In addition, construction continued at the RWF on the Emergency Diesel Generators Project and the Digester Gas Compressor Upgrade Project.

Look Ahead

In February, staff will continue to move forward with efforts related to consultant procurements, including the Nitrification Clarifiers Rehabilitation Project, Aeration Tanks Rehabilitation Project, Blower Improvements Project and the Facility Wide Water Systems Improvements Project. Staff will continue to advance procurements for a number of programmatic services including: General Engineering Services; Design and Construction Management Software (DCMS); Value Engineering and Peer Review Services; and Construction Management and Inspection Services.

Project team members anticipate that the Construction-Enabling Improvements Project will advance through the Authorization to Bid stage gate in February. Staff also plans to issue three Requests for Qualification (RFQ) next month: System Integrator Services Pre-qualification for future CIP projects; Owner's Representative & Construction Management Services for Digested Sludge Dewatering Facility; and Audit Services.

Staff will discuss the RWF CIP at a Council Study Session on February 8.

In addition, all CIP project managers and project engineers will continue formal staff training in February with the first of two sessions planned on Risk Management.



Program Highlight – CIP Risk Management

The goal of the CIP Risk Management process is to help ensure the successful delivery of the CIP and its component projects by managing significant risks. To achieve this goal, risk management is infused into all aspects of the Project Delivery Model (PDM). The CIP uses tools and processes to help manage risks that may affect the overall program, as well as risks that are project-specific. The tools used include a risk assessment matrix, risk 'heat maps', a program-level risk register, and individual project risk registers for all active CIP projects. These tools help identify, assess, and monitor risks, as well as develop and document risk response plans to appropriately manage and mitigate threats and maximize opportunities.

The CIP currently has risk registers in place for all active projects. Risk registers are used to record and manage identified risks. Information contained in the risk register for each risk includes a description, magnitude and likelihood of impact, proposed mitigation measures and owner. Project managers maintain and update these registers as part of the monthly progress reporting process. Project risks are also routinely reviewed at monthly CIP Package Performance Review Meetings and at all PDM stage gates. Additionally, the CIP Risk Manager regularly conducts focused reviews of the project risk registers; assists the project teams with risk identification, analysis, and risk response planning; and periodically updates the risk management plan component of the Program Execution Plan (PEP).

At the program level, Staff evaluates risk register items and develops response plans to help effectively manage the CIP's most significant risks.

Risk management is an integral part of the CIP's activities and its organizational culture. Over the next four months, the program team will:

- Develop and present to CIP staff two program management training modules focused on risk management;
- Hold three rounds of project risk register reviews, each with a different focus, to further enhance risk identification and response plans for active projects;
- Implement a risk summary dashboard on the CIP Portal, which will help track and display risk status;
- Conduct risk workshops with the CIP leadership team to evaluate additional program risk register items;
- Refine related risk response plans; and
- Update the Risk Management Plan appendix of the PEP.

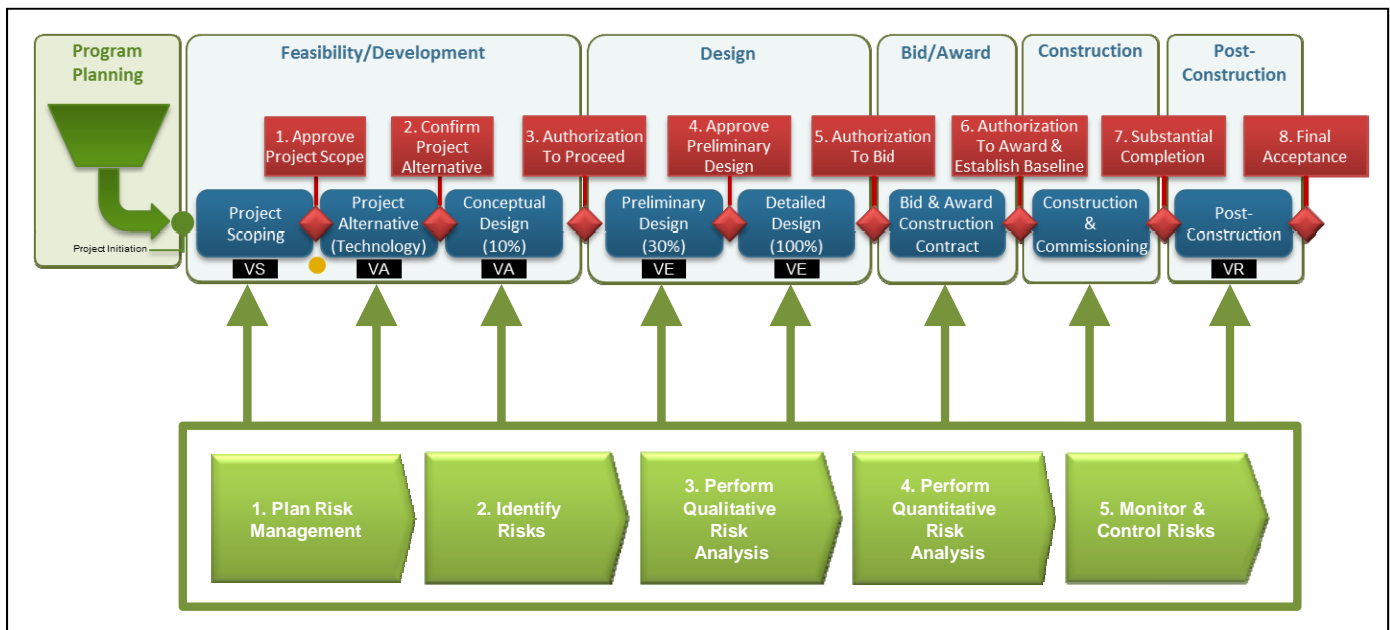


































Figure 1 - Risk Management Process as Applied to the PDM

Program Performance Summary

Eight key performance indicators (KPIs) have been established to measure the overall success of the CIP. Each KPI represents a metric that will be monitored on a regular frequency. Through the life of the CIP, KPIs will be selected and measured that best reflect the current maturity of the program.

Program Key Performance Indicators – Fiscal Year 2015-2016

KPI	Target	Year to Date			Fiscal Year End		
		Actual	Status	Trend	Forecast	Status	Trend
Stage Gates	80%	94% (15/16) ¹			100% (28/28)		
Measurement: Percentage of initiated projects and studies that successfully pass each stage gate. Criteria: Red: < 70%; Amber: 70% to 80%; Green: >=80%							
Schedule	85%	33% (1/3)			25% (1/4)		
Measurement: Percentage of CIP projects delivered within 2 months of approved baseline Beneficial Use Milestone. Criteria: Red: < 75%; Amber: 75% to 85%; Green: >=85%							
Budget	90%	100% (4/4)			83% (5/6)		
Measurement: Percentage of CIP projects that are completed within the approved baseline budget. Criteria: Red: < 80%; Amber: 80% to 89%; Green: >=90%							
Expenditure	\$153M ²	\$73M			\$188M ³		
Measurement: CIP Fiscal Year 15/16 committed costs. Committed cost meets or exceeds 70% of planned Budget (70% of \$219M = \$153M ²)							
Procurement	80%	83% (10/12) ⁴			100% (16/16) ⁵		
Measurement: Number of consultant and contractor procurements for initiated projects and program-wide services advertised compared to planned for the fiscal year. Criteria: Red: < 70%; Amber: 70% to 79%; Green: >=80%							
Safety	0	0			0		
Measurement: Number of OSHA reportable incidents associated with CIP construction for the fiscal year. Criteria: Red: > 2; Amber: 1 to 2; Green: zero incidents							
Environmental	0	0			0		
Measurement: Number of permit violations caused by CIP construction for the fiscal year. Criteria: Red: > 2; Amber: 1 to 2; Green: zero incidents							
Staffing	80%	86% (6/7) ⁶			86% (25/29)		
Measurement: Number of planned positions filled for the fiscal year. Criteria: Red: < 70%; Amber: 70% to 79%; Green: >=80%							

Notes

- For the Stage Gate KPI Year to Date (YTD), the number of completed stage gates remained constant at 15. The Construction-Enabling Improvements Project was scheduled this month, but was unsuccessful at passing the stage gate.
- Liquidation of a carryover contract encumbrance reduced the fiscal year budget and thereby reduced the target expenditure by \$1M.
- The Fiscal Year End Forecast decreased \$4M due to the revised encumbrance estimates
- The Procurement KPI Year to Date has increased from nine to 10 as the construction contract for the Digester & Thickener Facilities Upgrade Project was advertised this month. The procurement for the Construction Enabling Project construction contract has slipped. Finally, the procurement for consultant services for the Outfall Bridge & Levee Improvements Project has been deferred..
- The Procurement KPI Fiscal Year End has been reduced from 17 to 16 due to the deferment of the procurement for consultant services for the Outfall Bridge & Levee Improvements Project due to regional project interfaces outside of the control of the CIP.
- The City Staffing level KPI for planned recruitments for positions that are vacant at the start of the fiscal year is measured quarterly; all other KPIs are measured monthly. KPI measurement does not account for staff turnover throughout the fiscal year.

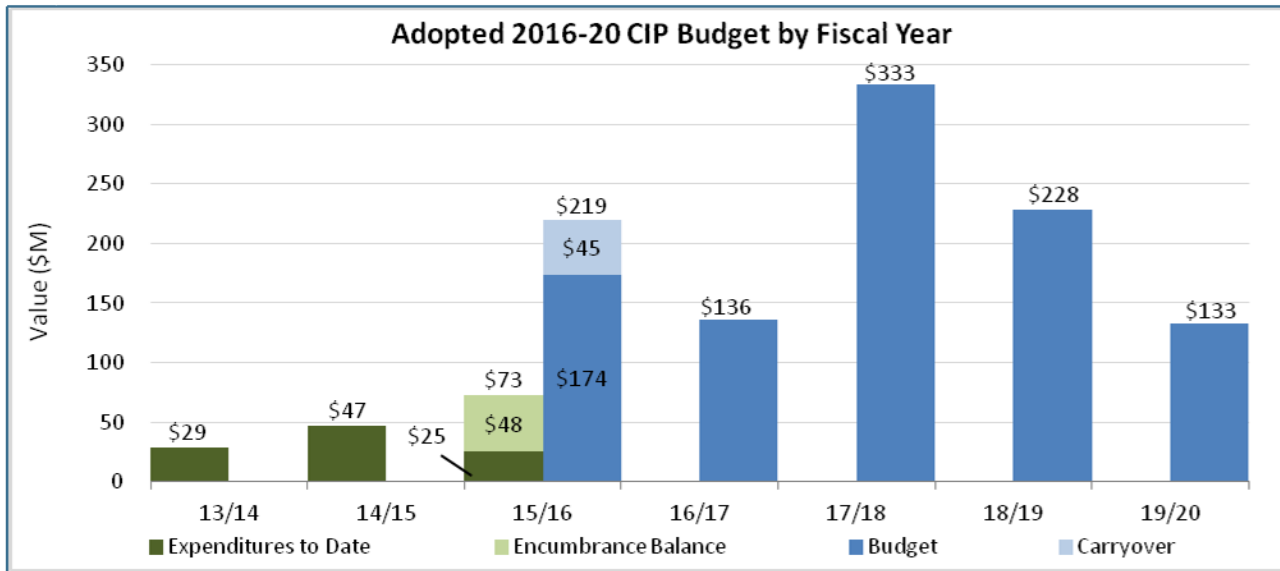


Program Cost Performance Summary

This section provides a summary of CIP cost performance for all construction projects and non-construction activities for FY15-16 and the 2016-2020 CIP.

Adopted 2016-2020 CIP Expenditure and Encumbrances

To accommodate the proposed increase in expenditures and encumbrances over the next five years, the City is implementing a long-term financial strategy to fund needed, major capital improvements while minimizing the impact to ratepayers. FY13-14 and FY14-15 expenditures have been adjusted to reflect the CIP portion of the Treatment Plant Capital Fund, Fund 512, excluding South Bay Water and Urgent and Unscheduled Cost (\$2.6M and \$1.5M, respectively).



Notes

Expenditure: Actual cost expended, either by check to a vendor or through the City's Financial System for expenses such as payroll or non-personal expenses that do not require a contract.

Encumbrance: Financial commitments, such as purchase orders or contracts, which are committed to a vendor, consultant, or contractor. The encumbrance reserves the funding within the appropriation and project.

Encumbrance Balance: The amount of the remaining encumbrance committed after payments.

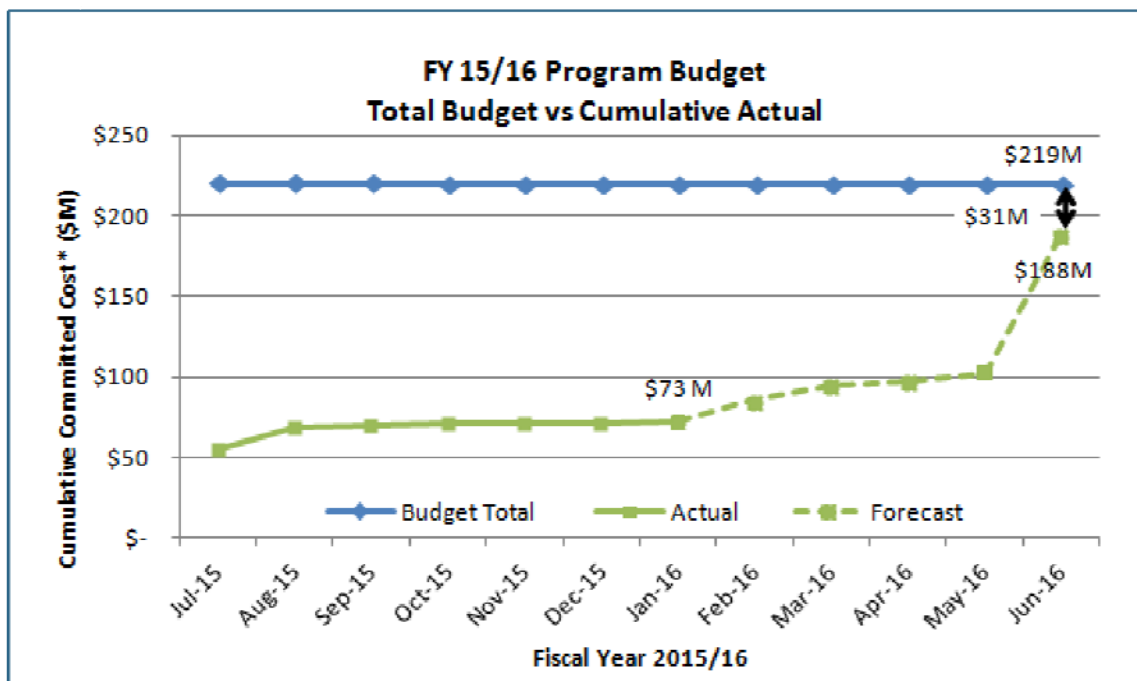
Budget: Adopted FY 2016-2020 Budget. This is new funding plus rebudgeted funds.

Carryover: Encumbrance Balances at the end of a fiscal year become Carryover Funding. This is different from rebudgets, in that it is done automatically to utilize funding that was previously committed, but not yet paid.



Fiscal Year 2015-2016 Program Budget Performance

The fiscal year program budget has decreased from \$220 million to \$219 million due to the liquidation of a carryover encumbrance. The budget amount of \$219 million represents the 2015-2016 budget of \$174 million plus the reduced carryover of \$45 million. The budget amount excludes Reserves, Ending Fund Balance, South Bay Water Recycling, Public Art, and Urgent and Unscheduled Rehabilitation items.













*Committed costs are expenditures and encumbrance balances, including carryover (encumbrance balances from the previous fiscal year).







Project Performance Summary

There are currently six active projects in the construction or post-construction phase, with a further 19 projects in feasibility/development, design, or bid and award phases (see PDM graphic, page 2). All active projects are listed in the tables below. Projects in the construction phase have cost and schedule baselines established and are monitored using the City's Capital Staff System (CPMS). Green/red icons are included in the table below to indicate whether these projects are on budget and schedule, using the CPMS data as a source.

Project Performance – Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date ¹	Cost Performance ²	Schedule Performance ²
Pond A18 Northern Gate Structure	Post-Construction	Aug 2015 ³	N/A ⁴	N/A ⁴
Digester Gas Storage Replacement	Post-Construction	Nov 2015 ³		
A5-A6 Nitrification Mag. Meter & Valve Replacement	Construction	May 2016		
Digester Gas Compressor Upgrade ⁵	Construction	Sep 2016		
Emergency Diesel Generators	Construction	Dec 2016		
Iron Salt Feed Station	Construction	Mar 2017		

KEY:

Cost:		On Budget		>1% Over Budget
Schedule:		On Schedule		>2 months delay

Notes

- Beneficial Use is defined as when the work is sufficiently complete, in accordance with the contract documents, so that the City can occupy or use the work. Beneficial Use dates are being reviewed as part of project schedule reviews.
- An explanation of cost and schedule variances on specific projects identified in this table is provided on page 12.
- Actual Beneficial Use date.
- Due to the emergency nature of the Pond A18 Northern Gate Replacement project, cost and schedule performance measurement criteria have not been applied.
- The baseline schedule was reset for the Digester Gas Compressor Upgrade Project due to the approved addition of scope to allow for proper interconnection and operations with the Digester and Thickener Facilities Upgrade and Cogeneration Facility projects. The schedule performance indicator has returned to green.



Project Performance – Pre-Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date ¹
Fiber Optic Connection	Bid & Award	Nov 2016
Cogeneration Facility	Bid & Award	Mar 2019
Digester & Thickener Facilities Upgrade	Bid & Award	Jun 2019
Construction-Enabling Improvements	Design	Dec 2016
Headworks Critical Improvements	Design	June 2017
Plant Instrument Air System Upgrade	Design	Jan 2018
Blower Improvements	Feasibility/Development	Mar 2019
Adv. Facility Control & Meter Replacement	Feasibility/Development	May 2020
Switchgear S40 Upgrade, M4 Replacement, G3 & G3A Removal	Feasibility/Development	Sept 2020
Headworks Improvements	Feasibility/Development	April 2021
Outfall Bridge and Levee Improvements	Feasibility/Development	Nov 2021
Digested Sludge Dewatering Facility	Feasibility/Development	Dec 2021
Facility Wide Water Systems Improvements	Feasibility/Development	Feb 2022
Filter Rehabilitation	Feasibility/Development	Mar 2022
New Headworks	Feasibility/Development	Aug 2022
Nitrification Clarifiers Rehabilitation	Feasibility/Development	Aug 2022
Yard Piping and Road Improvements	Feasibility/Development	Aug 2022
Aeration Tanks Rehabilitation	Feasibility/Development	Nov 2023
Support Building Improvements	Feasibility/Development	Jan 2027

Notes

- Beneficial Use is defined as when the work is sufficiently complete, in accordance with the contract documents, so that the City can occupy or use the work. Beneficial Use dates are being reviewed as part of project schedule reviews.



Significant Accomplishments

The projects below are described under different “packages.” In the CIP, packages are groups of projects organized within the same treatment process area.

Biosolids Package

Digester and Thickener Facilities Upgrade

- Staff advertised the final plans and specifications for construction bids. Bid opening is scheduled for March.
- Staff conducted a pre-bid meeting and site visit. Eight pre-qualified contractors attended this non-mandatory meeting.

Digester Gas Storage Replacement

- The facility successfully passed the 45-day commissioning period. Project Acceptance is anticipated in March 2016.

Facilities Package

Cogeneration Facility

- Staff conducted the second of three all-day contract negotiations workshops with the proposed design-builder. The project team anticipates Council award of the contract in April.
- Staff met with the State Water Board to commence the application process to seek SRF funding for this project.

Construction-Enabling Improvements

- Staff has completed final design and held a stage gate to authorize the project for bidding. Construction cost estimates were trending high, causing project staff to revisit several scope items and cost estimates to bring the project estimate back in line with the budget. The project team expects the construction contract to be awarded in July.

Facility Wide Water Systems Improvements

- The consultant selection process is underway, and the non-mandatory pre-submittal meeting was held for interested firms in January, with Statements of Qualifications (SOQ) due in February.

Liquids Package

Aeration Tanks Rehabilitation and Blower Improvements

- Staff held a pre-submittal meeting with consultants in January. SOQs are due in February.

Iron Salt Feed Station

- Council awarded the construction contract to Anderson Pacific on January 19.
- Notice to Proceed expected to be issued to the contractor in March 2016 and construction completion is anticipated in spring 2017.

Power and Energy

Digester Gas Compressor Upgrade

- The gas compressor motors have been shipped from Hyundai in Korea to Unison Solutions (Gas Skid Packager).
- Work continued on outdoor cooling equipment and 480V Motor Control Center.
- The factory acceptance test for the gas compressor skids is expected to take place at Unison Solutions in late March or early April.

Plant Instrument Air System Upgrade

- Consultant is incorporating comments to the 90% detail plans and specification.



Explanation of Project Performance Issues

A5-A6 Nitrification Magnetic Meter & Valve Replacement

In September 2014, during startup, the project team discovered that the actuators that had been specified and installed were incompatible with the available power supply. Engineering staff determined it would cost more to modify the electrical system than to order and install compatible actuators. Operations and Maintenance (O&M) staff requested that the actuators match the custom actuators used in the other 14 clarifiers. The City pursued various options to resolve the issue and has received a proposal from the contractor to install new actuators based on a revised specification. A counterproposal was provided to the contractor in December. Discussions between senior management from both sides have been productive. A negotiated agreement to resolve all outstanding contract issues was concluded in January. A change order was issued on January 27 for the contractor to purchase replacement custom actuators, with lead time of between 12 to 14 weeks. Council approval of additional required funding is expected in March. Contractor mobilization, actuator installation, wiring, troubleshooting, and "punch list" sign off will take a minimum of three weeks. Beneficial Use is forecasted for late May 2016.

Digester Gas Storage Replacement

During a comprehensive review of the gas storage tank design submitted by the design consultant, Brown and Caldwell, it was noted that the removable piston legs used in the subcontractor's proposed design did not meet design standards and could cause problems with the tank's intended use. The contractor was granted a three-month, no-cost time extension to September 28 to complete design modifications to the gas holder support structure. Several owner-requested changes were evaluated during the pre-startup period, resulting in three additional change orders. All work requiring welding or other spark-producing activities was completed prior to the introduction of gas. The tank successfully passed its required leakage test and was commissioned in November 2015. The tank is in use, the project is within budget, and final contract closeout activities are expected to be completed in March 2016.



Project Profile - Iron Salt Feed Station

The Iron Salt Feed Station Project will construct a new ferric chloride feed station and a new polymer feed station at the RWF. Each station will include chemical storage tanks; metering pumps; concrete containment structures; metal canopies; chemical offloading areas; electrical systems; and instrumentation and control systems. The ferric chloride feed station will store and deliver ferric chloride to the influent to control hydrogen sulfide levels in the digester gas. The polymer feed station will store, activate and deliver polymer to the primary influent to enhance primary treatment.

The benefits of this project include:

- Compliance with air permit requirements through the reduction of hydrogen sulfide levels in the digesters' gas;
- Reduced corrosion throughout the RWF's downstream processes;
- Reduced odors at headworks and the primary clarifiers;
- Increased primary solids removal;
- Increased biogas production in the digesters; and
- Reduced biological oxygen demand loading to RWF's downstream treatment processes.

The project design was completed in August 2015. Extensive work was performed during the design phase to address environmental, safety, construction, operation and maintenance concerns.

The following challenges were addressed during the design process:

- CEQA Initial Study: Reviewed the environmental impact report, prepared initial study report and developed mitigation measures to be implemented during the construction phase;
- Air Permit Application: Obtained authority to construct from the Bay Area Air Quality Management District;
- Geotechnical Investigation: Characterized onsite soils and made recommendations for site preparation, structure foundation design, and underground utility installation;
- Site Survey: Created accurate, detailed topographic and utility location maps that served as the basis for design;
- Pre-construction Hazardous Material Assessment: Evaluated whether specific soil management and disposal procedures for contaminated materials are required;
- Pre-construction Potholing: Field-verified larger existing underground utilities to minimize delays, avoid unnecessary utility relocations, and reduce redesign costs during the construction phase; and
- Process Hazard and Operability Analysis: Identified and assessed hazards and operability concerns; and developed and integrated mitigation measures into the design.

The project was advertised for bidding in September 2015 and awarded by Council in January 2016. Construction is anticipated to begin in spring 2016 with substantial completion by spring 2017.

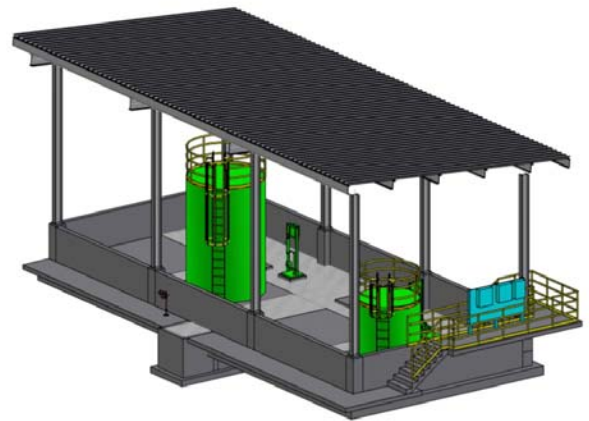


Figure 2 - Polymer Feed Station

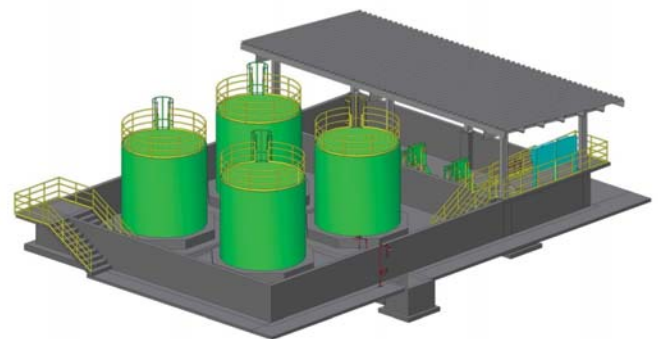


Figure 3 - Ferric Chloride Feed Station

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Regional Wastewater Facility Treatment – Current Treatment Process Flow Diagram

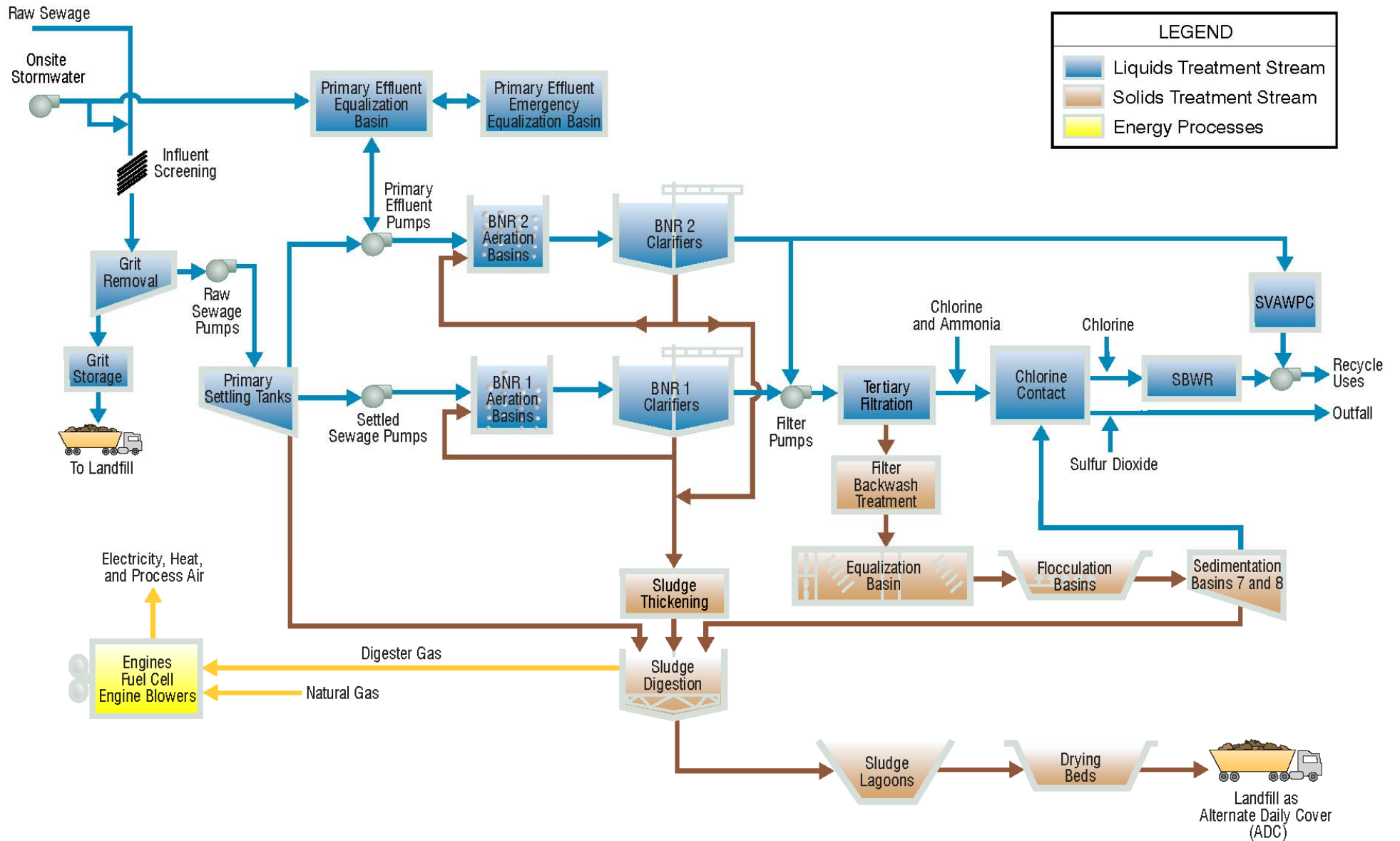


Figure 4 — Current Treatment Process Flow Diagram



Regional Wastewater Facility Treatment – Proposed Treatment Process Flow Diagram

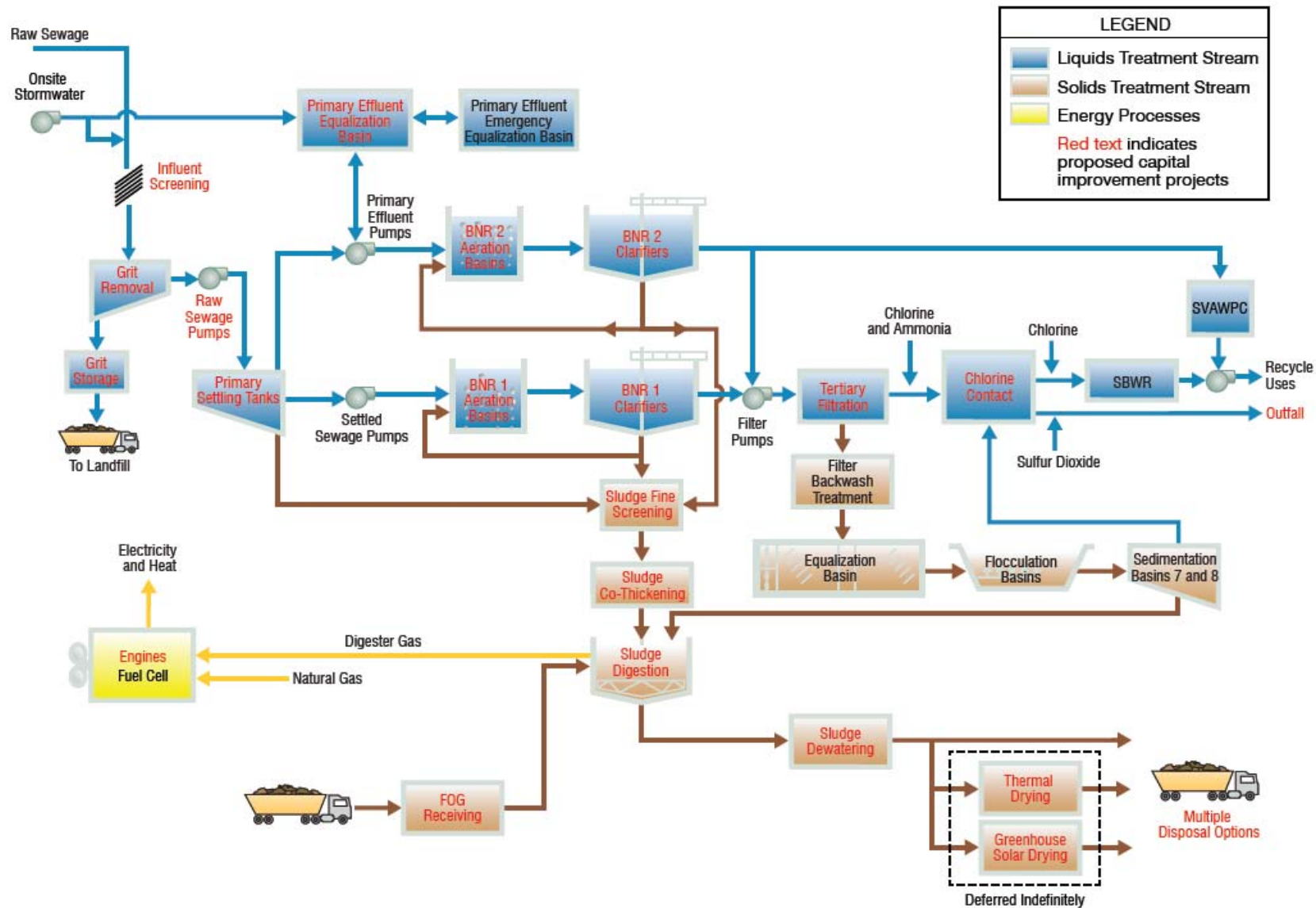


Figure 5 — Proposed Treatment Process Flow Diagram



Active Construction Projects – Aerial Plan

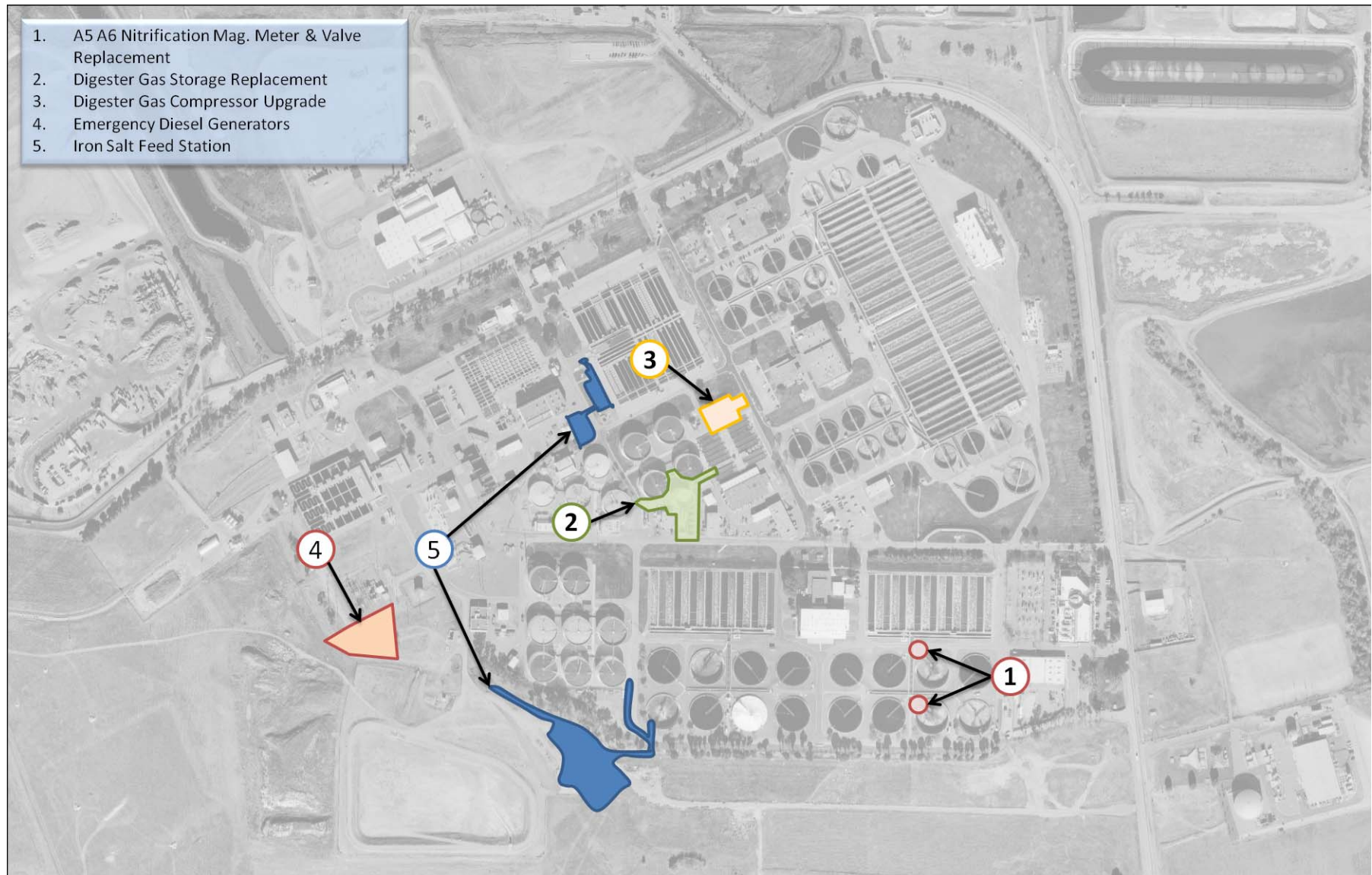


Figure 6—Active Construction Projects



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kerrie Romanow
Barry Ng

SUBJECT: SEE BELOW

DATE: February 29, 2016

Approved

D. D. S. L.

Date

3/2/16

SUBJECT: CONSTRUCTION CONTINGENCY INCREASE AND CONTRACT CHANGE ORDER AUTHORIZATION FOR THE "7076-INFLUENT MAGNETIC METER AND VALVE REPLACEMENT FOR NITRIFICATION CLARIFIERS A-5 AND A-6 PROJECT" AT THE SAN JOSÉ-SANTA CLARA REGIONAL WASTEWATER FACILITY

RECOMMENDATION

- (a) Approve a \$92,970 increase to the construction contingency amount of \$27,030 for a revised total contingency in the amount of \$120,000 and increase the original contract not-to-exceed amount from \$297,330 to a total revised contract amount not-to-exceed \$390,300.
- (b) Adopt a resolution authorizing the Director of Public Works to negotiate and execute Contract Change Order No. 4 with JMB Construction, Inc. for the 7076-Influent Magnetic Meter and Valve Replacement for Nitrification Clarifiers A-5 and A-6 Project extending the project completion date from February 7, 2014 to May 27, 2016 for a total of 561 working days beyond the original contract completion date of February 7, 2014.

OUTCOME

Approval of the recommendations will authorize execution of a final change order for additional work needed to complete the Project. It will also extend the Project completion date for a total of 561 working days beyond the original contract completion date.

BACKGROUND

Due to age and corrosion, the 42-inch influent magnetic flowmeters and signal converters at two of the sixteen Nitrification Clarifiers (A-5 and A-6), at the San José-Santa Clara Regional

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Wastewater Facility¹ (“RWF”), have failed and are out of service. Additionally, the butterfly valves are leaking and flow control valve actuators are not functioning properly. These flow control valves and flow meters regulate the clarifier influent flows for optimal performance by evenly distributing incoming flows to all nitrification clarifiers in service. This Project replaces two magnetic flowmeters and four butterfly valves and includes all associated electrical, instrumentation, floor stands and structural work.

On May 21, 2013, the City Council awarded the Project to JMB Construction, Inc. (JMB) in the amount of \$270,300 (32.4 percent under the Engineer’s Estimate) along with a 10 percent contingency in the amount of \$27,030. JMB began work on the project but encountered a number of specification issues and submittal delays that are described below.

Valve Specification Issue/Delay

Approval of the valve design submittal was delayed for over three months as only one manufacturer (Val-Matic) recommended in the Contract was able to fully meet the valve disc specifications. Once JMB submitted an acceptable valve disc design, City staff approved the submittal, however the delay in approving the valve submittal pushed the construction start into the wet season. On November 26, 2013, staff issued Contract Change Order No. 1 (CCO1) authorizing an additional 98 working days due to RWF operation shutdown restrictions during wet season. JMB mobilized for work commencing on May 19, 2014.

Valve Submittal Approval Issue

Construction work was further delayed when it was discovered that, although the valve disc design met the specifications, the orientation and torque tube requirements were not met. In approving the Val-Matic valve design, City staff inadvertently approved its standard valve orientation which does not meet the Project plans and specifications. On June 9, 2014, JMB corrected the valve orientation in conformance with the City’s Standard Specifications – Section 5-1.09 “Removal of Rejected and Unauthorized Work.” On July 17, 2014, staff received JMB’s Notice of Potential Claim for \$57,896 to pay for the cost of correcting the valve orientation, and the cost to furnish and install four torque tubes. With the Notice of Potential Claim filed, JMB installed four torque tubes and floor stands on September 4, 2014.

Valve Actuator Power Supply Issue

Work continued until the start-up and commissioning of the valves and actuators on September 18, 2014, when the City’s Electrical Code Inspector identified that the contractor-installed three-phase electric motor actuators were incompatible with the existing single-phase power supply.

After a review of the Project contract plans, specifications, bidding Q&A and contractor

¹ The legal, official name of the facility remains San Jose/Santa Clara Water Pollution Control Plan, but beginning in early 2013, the facility was approved to use a new common name, the San José-Santa Clara Regional Wastewater Facility.

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submittal history, City staff determined the following:

- a. The Project plan single-line diagram showed the existing power supply as 240 volts, single-phase. However, the Project specifications for new electric motor actuators stated 240 volts, three-phase power supply, with an additional requirement for a variable frequency drive (VFD), which would allow for single-phase input and three-phase output power. The existing and required power phase were not clearly described in both plans and specifications language.
- b. The bidding Q&A documentation confirmed the specification requirement for integral VFD.
- c. No VFD was specified in JMB's submittals for Process Valves & Operators, however in approving the same Val-Matic valve design submittal described above, City staff inadvertently approved the contractor-proposed three-phase actuators, without meeting the VFD requirement.

Negotiation Summary

As described above, staff received JMB's Notice of Potential Claim for \$57,896. On October 27, 2014, staff offered \$15,796 as a reasonable change order amount to resolve the valve disc design, orientation and torque tube issues. JMB rejected the City's offer, and the Notice of Potential Claim remained in effect.

During the next 12 months, City staff and JMB evaluated and pursued various options to address the actuator issue in order to complete the project. On November 6, 2015, after a series of discussions and City requests for quotes to replace the incompatible actuators, JMB submitted a Change Order Request (COR#4), in the amount of \$179,076 to furnish and install the replacement actuators and pay for extended contractor overhead costs as a result of construction delays. This amount also included the work and delay claims covered in the Notice of Potential Claim. The City responded with a counteroffer of \$78,873 in late December 2015. On January 12, 2016, City staff and JMB met and mutually agreed to complete the Project for \$99,543 and extend the term of the contract, subject to approval by the City Council. This amount was deemed to be an equitable split of the delay costs, contractor overhead, and the cost of the remaining work necessary to complete the Project.

The negotiated resolution to complete the work was contingent on JMB rescinding its former Notice of Potential Claim. On January 28, 2016, JMB rescinded in writing their July 17, 2014 Notice of Potential Claim and confirmed that they do not intend to file or further pursue any additional compensation associated with past issues, subject to approval of CCO4, as recommended in this memorandum.

Due to a 12 to 14 week lead time for the fabrication and delivery of new actuators, City staff issued CCO3 in the amount of \$16,444.63 for JMB to procure the two new actuators, and exhaust the remaining Project contingency. To date, a total of three change orders have been issued for the Project, totaling \$27,030 and adding 113 working days to the contract time.

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ANALYSIS

The initial construction delay due to the valve submittal approval issue and subsequent delay due to valve orientation and torque tube requirement could have been avoided if the specified valve design had been available from more than one manufacturer and not a single source. Staff preparing the specifications intended the new valves and actuators to match the existing equipment as much as possible in order to be compatible with the other 14 Nitrification Clarifiers and to provide for consistent operations and maintenance.

Also, conflicting project plans and specifications for the valve actuator power supply contributed to the delays. Lessons learned from this Project have been incorporated into the current RWF CIP project delivery model and processes have been put in place to ensure robust quality assurance and control measures at various project stages to prevent similar issues on future projects.

With the Project 95 percent complete, staff recommends increasing the approved construction contingency to provide funding for CCO4 in the amount of \$83,098.37 and an additional \$9,871.63 to cover any further unanticipated work necessary for the proper completion of the Project. Approval of this recommendation will result in a \$92,970 increase to the original construction contingency amount of \$27,030 for a revised total contingency amount of \$120,000, and increase the original contract not-to-exceed amount of \$297,330 to a revised contract not-to-exceed amount of \$390,300.

As a result of the construction delay since September 18, 2014 and anticipated 12 to 14 week lead time to fabricate the replacement actuators, staff recommends delegating authority to the Director of Public Works to negotiate and execute CCO4 to extend the original project completion date from February 7, 2014 to May 27, 2016 which will enable staff to expediently authorize work needed to complete the Project. Approval of these recommendations will allow for the proper completion of the Project and provide staff with the flexibility to efficiently and effectively respond to unforeseen or changed conditions for the remaining duration of the Project.

EVALUATION AND FOLLOW-UP

No other follow-up action with the City Council is expected at this time. A progress report on this and other RWF capital projects will be made to the Transportation and Environment Committee and the City Council on a semiannual basis. Monthly progress reports will also be submitted to the Treatment Plant Advisory Committee (TPAC) and posted on the City's website.

POLICY ALTERNATIVES

Alternative #1: Do not approve an increase to the construction contingency amount and do not delegate authority to the Director of Public Works to negotiate and execute CCO4.

Pros: The additional cost associated with contingency increase and CCO4 will not be incurred.

Cons: The Project would not be complete. Staff will not be able to negotiate and execute additional change orders above and beyond the contingency budget. The incompatible actuators will prevent the testing and operation of the flowmeters and flow control valves that regulate the clarifier influent flows for optimal performance and hence reduce the capacity of RWF nitrification clarifiers in service. Additional delays and cost will be incurred if the contractor pursues its claim for substantial delay.

Reasons for not Recommending: Given that this Project is already near completion and the nitrification clarifiers must be put back in operation, staff believe that increasing the contingency amount is the most expedient and equitable course to complete the Project. If CCO4 is not approved, the Project will have to be completed through alternative and more expensive procurement methods. In addition, the contractor may pursue claims for additional costs, including those set forth in its Notice of Potential Claim and COR#4.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the March 15, 2016 City 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 March 10, 2016 TPAC meeting.

COST SUMMARY/IMPLICATIONS

- | | |
|--|------------------|
| 1. AMOUNT OF RECOMMENDATION: | \$92,970 |
| 2. COST OF CONTRACT | |
| Original Construction Contract Amount | \$270,300 |
| Original Contingency Amount | 27,030 |
| Original Total Contract Amount | 297,330 |
| Contingency Increase | 92,970 |
| Total Contract Amount | \$390,300 |
| 3. SOURCE OF FUNDING: 512 – San José-Santa Clara Treatment Plant Capital Fund. | |

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BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the contract recommended as part of this memorandum and remaining project costs. Remaining project costs include \$92,970 for increased construction contingency and \$10,000 for project/construction management and closeout.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2015-2016 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
Remaining Project Costs			\$102,970			
Remaining Funding Available						
512	4332	Equipment Replacement	\$1,663,000	\$92,970	V - 188	06/23/2015 Ord. No. 29589
Total Current Funding Available			\$1,663,000	\$92,970		

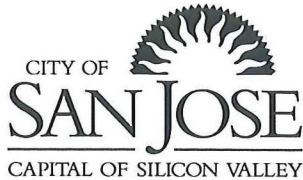
CEQA

Exempt, File No. PP12-094.

/s/
BARRY NG
Director of Public Works

/s/ Ashwini Kantak for
KERRIE ROMANOW
Director, Environmental Services

For questions please contact John Cannon, Principal Engineer, Department of Public Works, at (408) 535-8340.



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: March 3, 2016

Approved

D. DSYL

Date

3/3/16

SUBJECT: 2015-2016 BUDGET ADJUSTMENTS FOR THE SAN JOSE-SANTA CLARA REGIONAL WASTEWATER FACILITY CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION

- (a) Adopt the following 2015-2016 Appropriation Ordinance and Funding Sources Resolution Amendments in the San Jose-Santa Clara Treatment Plant Capital Fund:
- (1) Decrease the estimate for Earned Revenue by \$4,219,000;
 - (2) Decrease the estimate for Transfers by \$980,000;
 - (3) Decrease the Transfer to the Clean Water Financing Authority Debt Service 2015-2016 by \$1,556,000; and
 - (4) Decrease the Unrestricted Ending Fund Balance by \$3,643,000.
- (b) Adopt the following 2015-2016 Appropriation Ordinance Amendments in the Sewer Service and Use Charge Fund:
- (1) Decrease the Transfer to the San Jose/Santa Clara Treatment Plant Capital Fund on or before June 30 by \$980,000; and
 - (2) Increase the Unrestricted Ending Fund Balance by \$980,000.

OUTCOME

Approval of the recommendations would allow the City to ensure the 2015-2016 Regional Wastewater Facility Capital Budget reflects the following:

- Short-Term Financing/Commercial Paper program will not be implemented in 2015-2016; and
- Adjusted capital cost allocations across the agencies for the Digester and Thickener Facilities Upgrade project based on the Engineer's Estimate at 100 percent design completion.

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Subject: 2015-2016 Budget Adjustments for the RWF CIP

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More specifically, approval of the recommendation to decrease the estimate for Earned Revenue in the San Jose-Santa Clara Treatment Plant Capital Fund by \$4.2 million would be representative of the following adjustments in that revenue category: decreasing the estimate for Commercial Paper (CP) Proceeds by \$30.0 million, as a CP program was initially assumed in the 2016-2020 Capital Improvement Program for financing capital projects in 2015-2016 but will now not be established in this fiscal year; increasing the estimate for Santa Clara and Tributary Agency contributions by \$30.0 million to reflect cash funding instead for the capital projects; decreasing the estimate for Santa Clara and Tributary Agency contributions by \$576,000 to reflect the elimination of CP debt service costs for Santa Clara and the Tributary Agencies; and decreasing the estimate for Santa Clara and Tributary Agency contributions by \$3.6 million to reflect the reallocation of costs between agencies for the Digester and Thickener Facilities Upgrade project.

BACKGROUND

Since early 2014 staff has been working with representatives from the City of Santa Clara (Santa Clara) and the Tributary Agencies on a funding strategy for the ten-year \$1.4 billion Capital Improvement Program (CIP) at the San Jose-Santa Clara Regional Wastewater Facility¹(RWF). External financing options were discussed at a Treatment Plant Advisory Committee (TPAC) study session in April 2014 as well as at subsequent meetings with staff representatives from Santa Clara and the Tributary Agencies. Based on these discussions and at the request of the Tributary Agencies, the 2016-2020 RWF CIP was developed assuming that a short-term financing/commercial paper program would be established during the latter part of the fiscal year on behalf of the agencies. It is important to note that San José did not need short-term financing in 2015-2016.

An April 2015 information memorandum (copy attached) outlining these assumptions was sent to the San José City Council and shared with TPAC. This information memorandum stated that if an agency did not participate in short term financing, a budget adjustment would be required in the future. The need for this adjustment was also reiterated at a January 15, 2016 meeting with the Tributary Agencies.

On May 14, 2015 and June 2, 2015, respectively, TPAC and the City Council approved the RWF CIP Ten-Year Funding Strategy and associated staff recommendations. An information memorandum titled Status of the San Jose-Santa Clara Regional Wastewater Facility Capital Improvement Program was sent to the TPAC on July 29, 2015 to provide a status update on the progress of those recommendations. In December 2015 and January 2016, an update on this funding strategy was presented to TPAC and City Council respectively (San Jose-Santa Clara Regional Wastewater Facility Ten-Year Funding Strategy Report Update).

The adopted Ten-Year Funding Strategy discussed three external financing options: Clean Water State Revolving Fund (SRF) loans; short-term financing; and long-term tax-exempt

¹ The legal, official name of the facility remains San Jose-Santa Clara Water Pollution Control Plant, but beginning in early 2013, the facility was approved to use a new common name, the San José-Santa Clara Regional Wastewater Facility.

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revenue bonds. Per TPAC and City Council direction on the Ten-Year Funding Strategy, confirmation about participation in external financing was required from all agencies by August 2015. Agency participation information would be considered in establishing a short-term financing/commercial paper program in early 2016 and in applying for SRF funding for the Digester and Thickener Facilities Upgrade project.

If agency participation could not be confirmed by the end of August (extended to September 15, 2015 at the request of agencies), San José staff would proceed with the assumption that agencies did not wish to participate in external financing. The table on the following page summarizes the agency responses.

Agency Name	Short Term Financing	SRF loans	Long Term Financing
City of San José	Yes	Yes	No
City of Santa Clara	No	Yes	No
West Valley Sanitation District	Yes*	Yes	No
City of Milpitas	Yes*	Yes	No
Cupertino Sanitation District	Yes*	Yes	Maybe
County Sanitation District 2-3	Yes*	Yes	Yes
Burbank Sanitary District	Yes*	Yes	Yes

* While most agencies indicated an interest in short term financing, firm commitments through the execution of Master Agreement amendments were required in order to proceed with short-term financing. None of the agencies were willing to commit to such financing until final terms and conditions were presented.

Upon confirmation of agency participation, San José staff was to begin drafting amendments to the 1983 Master Agreements for Wastewater Treatment Between City of San José, City of Santa Clara and Tributary Agencies (Master Agreements) to ensure repayment commitments of external financing and work with agencies to obtain approval through their respective councils and boards. This was communicated to the Tributary Agencies on multiple occasions. A preliminary draft of an Amended and Restated Master Agreement was sent to the Tributary Agencies on October 22, 2015, with the exception of County Sanitation District 2-3, which was sent on November 2, 2015. The agencies submitted an alternative proposal to amend the Master Agreements that included a broader range of additional changes beyond the changes the City contemplated for the purpose of securing the SRF loan. The agencies did not submit any comments to the City's more limited amendment. In order to meet the timeline for approval by all agencies before negotiations on the potential SRF loan agreement, a final copy of the City's limited amendment was sent to all Tributary Agencies on January 12, 2016, for execution by February 1, 2016.

On January 25, 2016, the Tributary Agencies filed an Administrative Claim for Breach of Contract against San José and Santa Clara. On February 1, 2016 the Tributary Agencies sent a letter to San José and Santa Clara stating that they did not intend to execute the Amended and Restated Master Agreement and asked that San José not pursue short or long term financing until the Administrative Claim has been resolved.

ANALYSIS

Assumptions for Short-Term Financing/Commercial Paper Program

As noted in the July 29, 2015 memo, San José staff have been working closely with representatives from Santa Clara and the Tributary Agencies so as to enable each agency to evaluate and finalize a funding plan for its portion of the RWF CIP. City staff met with representatives from each agency through regular Technical Advisory Committee (TAC) meetings as well as through separate meetings with each agency. During these discussions, staff emphasized the need to obtain timely approvals of required Master Agreement amendments by the respective councils and boards in order for the agencies to participate in any external financing. These amendments would ensure repayment commitment from the agencies. Staff have also shared a considerable amount of information with the agencies to enable their evaluation of funding options and further support their decision-making process. It is important to note that San José does not need short-term financing in 2015-2016. As such, the intent was that San José would proceed with establishing a short-term financing program in 2015-2016 only if there were firm commitments from agencies through Master Agreement amendments extending the agreement date through the anticipated loan repayment period. Since San José staff have not received commitments from any of the agencies on their participation in a short-term financing program, staff is now proceeding with revising the RWF 2015-2016 Capital Budget to reflect the assumption that agencies will not be participating in a CP program during the current fiscal year.

Updated Capital Cost Allocations for the Digester and Thickener Facilities Upgrade Project

The cost of RWF capital improvements are divided between San José, Santa Clara, and the Tributary Agencies based on each agency's owned contractual capacity of the following four billable parameters:

- Flow – Capital costs incurred to treat, convey, and dispose of wastewater;
- Biochemical Oxygen Demand (BOD) – Capital costs incurred to remove and dispose of organic compounds;
- Total Suspended Solids (TSS) – Capital costs associated with removing and disposing of small particles in the wastewater; and
- Ammonia – Capital costs associated with removing and disposing of nitrogen.

Capital costs reflect the costs of planning, engineering, and constructing treatment facilities for the purpose of rehabilitating and replacing aging facilities to ensure long-term operational reliability; upgrading existing treatment processes to comply with local, state, or national regulatory requirements; and/or making process improvements to optimize and improve performance benefits.

The allocation of RWF capital costs is performed annually based on the capital projects included in the five-year RWF CIP. The costs associated with capital projects that impact all four billable parameters are allocated to agencies using a weighted average that reflects the capacity ownership of each billable parameter. All agencies pay their fair share of capital costs based on

each agency’s contractual capacity for the four billable parameters and the amount of each billable parameter treated by each process areas.

As outlined in the Master Agreement, costs of projects that are process-related and are over \$2 million need to be allocated based on the parameters treated by those projects. This allocation is determined by the engineering design of that project. Projects that are either less than \$2 million or are not process-related and serve the entire RWF have their costs allocated based on a weighted average of the four billable parameters. These weighted averages are adjusted when new process-related projects come online.

While preliminary estimates for system loading factors were available, this was not included in the 2016-2020 CIP because additional analysis was required to determine the parameter allocations for all RWF capital projects. The 2016-2020 CIP incorporated parameter allocations based on a weighted average approach that reflected the capacity ownership of each billable parameter. Staff had planned on making more comprehensive adjustments to project cost allocations by treatment parameters in the 2017-2021 Proposed CIP for projects over \$2 million with completed engineering designs. Since the detailed design for the Digester and Thickener Facilities Upgrade project was completed in December 2015, and the construction award for this project is anticipated to occur prior to the end of 2015-2016, staff recommends that cost allocation adjustments for this project be made this fiscal year based on the 100 percent Engineer’s Estimate provided by the design consultant. The project will treat BOD and TSS at a ratio of 40% BOD and 60% TSS. This results in revised cost allocations for San José, Santa Clara and the Tributary Agencies for the Digester and Thickener Upgrade project, as outlined in the table below.

Agency Name	Original Cost Allocation	Updated Cost Allocation	Change
City of San Jose	\$ 59,908,090	\$ 63,554,615	\$ 3,646,525
City of Santa Clara	12,619,332	13,387,685	768,353
West Valley Sanitation District	5,929,989	4,921,414	(1,008,575)
City of Milpitas	6,892,678	4,700,085	(2,192,593)
Cupertino Sanitation District	3,919,137	2,902,464	(1,016,673)
County Sanitation District 2-3	486,743	355,385	(131,358)
Burbank Sanitary District	215,031	149,352	(65,579)
TOTAL	\$ 89,971,000	\$ 89,971,000	\$ 0

The revised cost allocations for the Digester and Thickener Facilities Upgrade project result in an increase of approximately \$3.6 million to the proportional share of project costs for San José and approximately \$768,000 for Santa Clara, with a corresponding decrease in the proportional share of project costs for the Tributary Agencies. The San Jose-Santa Clara Treatment Plant Capital Fund has sufficient Ending Fund Balance to support the recommended cost allocation adjustments for San José.

Recommended Budget Actions

The following adjustments to the Sewer Service and Use Charge Fund (541) and San Jose-Santa

Clara Treatment Plant Capital Fund (512) are reflective of the actions recommended in this memorandum. These budget adjustments will update both funds to reflect the removal of CP Facility costs, given the fact CP financing will not be pursued in 2015-2016 and the adjustments to the cost allocation ratio for the Digester and Thickener Facilities Upgrade project.

Sewer Service and Use Charge Fund (541)

The set of recommended appropriation actions in this fund would reduce the transfer from the Sewer Service and Use Charge Fund (541) to the SJ-SC Treatment Plant Capital Fund (512) by \$980,000 for the decrease in the City of San José portion of CP Facility costs. These CP Facility costs were added in the 2015-2016 Adopted Budget and funded by a transfer from Fund 541. This transfer is no longer required as the City will not pursue CP financing in 2015-2016.

SJ-SC Treatment Plant Capital Fund (512)

The recommended appropriation actions in Fund 512 would reduce the estimate for Earned Revenue by \$4,219,000 as a net decrease in CP Facility Cost contributions from Tributary Agencies and modified cost allocation ratio for the Digester and Thickener Facilities Upgrade project described earlier in this memorandum. The 2016-2020 Adopted RWF CIP was submitted on the presumption that agencies would need CP financing in the amount of \$30,025,000 in 2015-2016, with their share of CP Facility Costs totaling \$576,000. The contributions from agencies are recommended to be revised in this memorandum to reflect a cash basis for capital project funding and a modified allocation ratio, with a net decrease of \$4,219,000 as outlined below:

CP Proceeds	(\$30,025,000)	
Contributions from Other Agencies	\$30,029,000	Based on 2014-2015 CAFR allocation ratio
CP Facility Cost Decrease	(\$576,000)	
Cash Contribution Decrease	(\$3,647,000)	Based on modified project allocation ratio
Net Earned Revenue Decrease	(\$4,219,000)	

In addition, actions are recommended to reduce the estimate for Transfers from the Sewer Service and Use Charge Fund by \$980,000 to account for the decrease in the City of San José portion of CP Facility Costs, as noted above, and to eliminate the \$1,556,000 transfer to the Clean Water Financing Authority for Debt Service in 2015-2016.

EVALUATION AND FOLLOW-UP

Additional adjustments to RWF capital project cost allocations, by treatment parameters, for process related future improvements that are over \$2 million will be included in the Proposed 2017-2021 CIP, which is currently scheduled for City Council approval in June 2016. Staff will bring forward additional budget recommendations to City Council later this fiscal year if the City is successful in securing SRF funding for the Digester and Thickener Facilities Upgrade project.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the March 22, 2016, City Council Meeting Agenda, and will be presented at the March 10, 2016, TPAC meeting.

COORDINATION

This memo has been coordinated with the City Attorney's Office.

COST SUMMARY/IMPLICATIONS

By not pursuing CP financing this fiscal year, San José will not incur the estimated \$980,000 in CP Facility costs in 2015-2016, will reflect the reduction in CP proceeds of \$30 million, and will increase the anticipated cash contributions from agencies by approximately \$30 million. Adjusting the capital cost allocations by parameters for the Digester and Thickener Facilities Upgrade project will result in an increase of approximately \$3.6 million to the proportional share of project costs for San José and approximately \$768,000 for Santa Clara, with a corresponding decrease to the proportional share of project costs for the Tributary Agencies.

An integrated team of City staff, outside consultants, and contractors regularly assess implementation progress and align program resources with anticipated activities and project schedules. At this time, based on the available resources and status of various procurements, staff anticipates funding for some RWF capital projects will be rebudgeted to 2016-2017. The rebudget amounts will reflect the need to align project funding with updated project schedules, which have shifted key project encumbrances for consultant services or construction contracts from the latter part of the current fiscal year to 2016-2017. These rebudgets are anticipated to be reflected in the Proposed 2017-2021 CIP, which is currently scheduled to be released in April.

BUDGET REFERENCE

The table below identifies the funds and appropriations referenced in this memorandum.

Fund #	Appn #	Appn Name	Current Total Appn	Rec. Budget Action	2015-2016 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
512	R002	Earned Revenue	\$46,660,000	(\$4,219,000)	V – 163 (Capital)	06/23/2015, 77423
512	R002	Transfers	\$34,792,000	(\$980,000)	V – 163 (Capital)	06/23/2015, 77423
512	0005	Transfer to the Clean Water Financing Authority Debt Service 2015-2016	\$1,556,000	(\$1,556,000)	V – 169 (Capital)	06/23/2015, 29589
512	8999	Unrestricted Ending Fund Balance	\$46,469,803	(\$3,643,000)	V – 170 (Capital)	10/20/2015, 29636
541	0005	Transfer to the San Jose/Santa Clara Treatment Plant Capital Fund on or before June 30	\$15,851,000	(\$980,000)	XI – 83 (Operating)	06/23/2015, 29589
541	8999	Unrestricted Ending Fund Balance	\$1,386,390	\$980,000	XI – 83 (Operating)	02/09/2016, 29688

CEQA

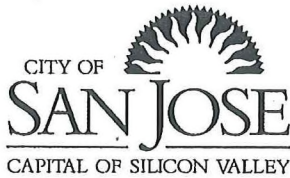
Not a project, File No. PP10-069(a), City Organizational and Administrative Activities.

/s/
 KERRIE ROMANOW
 Director, Environmental Services


 JENNIFER A. MAGUIRE
 Senior Deputy City Manager/
 Budget Director

For questions, please contact Ashwini Kantak, Assistant Director, Environmental Services Department, at 408-975-2553.

Attachment: Information Memorandum: Status of Regional Wastewater Facility Ten-Year Funding Strategy



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: April 6, 2015

Approved

D. D. SyL

Date

4/6/15

INFORMATION

SUBJECT: STATUS OF REGIONAL WASTEWATER FACILITY TEN-YEAR FUNDING STRATEGY

BACKGROUND

The San José-Santa Clara Regional Wastewater Facility¹ (RWF) Ten-Year Funding Strategy was presented to the Treatment Plant Advisory Committee (TPAC) on March 12, 2015. The staff report on the San José-Santa Clara Regional Wastewater Facility Ten-Year Funding Strategy included a ten year forecast of the capital and operating needs, and outlined guiding principles with recommended fiscal practices for developing a plan to meet those funding needs. The report included preliminary allocations for each agency but did not include a specific financing plan. TPAC directed staff to return with specific information related to reserve requirements and financing costs.

ANALYSIS

In April 2014, TPAC approved the funding strategy guiding principles, which include maintaining prudent reserve levels, proportionately funded by the cities and agencies served by the RWF. Staff representing San José, Santa Clara and the tributary agencies met to discuss funding these reserve requirements, including increasing the overall reserves to the equivalent of 365 days of operating expenses both for prudent operation of the RWF and in order to obtain a high rating on long-term bonds to fund the RWF improvements. On February 18, 2015, forecast information by agency, based on the proposed five year Capital Improvement Program (CIP) and the proposed operating budget for fiscal year 2015-16 for the RWF was provided to each agency. As all agencies are still working on their own financing evaluations, and final decisions will not

¹ The legal, official name of the facility remains San Jose/Santa Clara Water Pollution Control Plant, but beginning in early 2013, the facility was approved to use a new common name, the San José-Santa Clara Regional Wastewater Facility.

be available before the proposed budgets are issued, staff is building certain assumptions into the proposed RWF capital and operating budgets.

These assumptions include the following:

1. *All agencies will contribute to a 60 day Operations and Maintenance (O&M) Reserve starting in 2015-2016*

San José currently funds a 60 day O&M Reserve in the San José-Santa Clara Treatment Plant Operating Fund, which is meant to cover unforeseen expenditures related to operations and maintenance. San José is recommending that all agencies contribute their proportional share of this reserve starting in 2015-2016. The master agreement between San José/Santa Clara and each of the tributary agencies, which governs the wastewater treatment services provided by the RWF, would need to be modified in fall 2015 to reflect the payment of each agency's proportional share.

2. *All agencies will be participating in commercial paper program starting in 2015-2016*

Staff is recommending that the Clean Water Financing Authority establish a commercial paper program in 2015-2016. A commercial paper program is a short term financing tool that can provide interim funding before the issuance of long term bonds that is anticipated to occur in 2017-2018. The assumption that all agencies will participate will allow any agencies that do not have sufficient cash to fund their proportional share of the capital costs in 2015-2016 to have their contributions paid through the issuance of commercial paper in 2015-2016. Funds drawn from the commercial paper program will be paid off once long term debt is issued in 2017-2018 or from cash funding from participating agencies at the same time. The master agreement will need to be amended in fall 2015 to reflect financing terms. If an agency decides that it will not participate in the funding of the establishment of the commercial paper program (in order to reserve its right to access commercial paper at any time), the costs will be adjusted through a budget adjustment in the future.

3. *Long term financing will only be included for San José*

Although some agencies have indicated their interest in participating in financing through the Clean Water Financing Authority, other agencies are still evaluating alternate options. Partial participation in the financing would result in significant financial implications for those participating in the financing since they would need to take on additional obligations related to cash-on-hand liquidity targets. Since decisions about participation are not yet final, for the purposes of the proposed RWF budgets, staff will be assuming that each city and agency will be securing its own long term financing.

Between April and August, San José staff will continue to work with staff and representatives from Santa Clara and the tributary agencies to finalize each agency's short and long-term financing needs and funding of required reserves. Once the final funding strategy has been developed, the agreements between the cities of San José/Santa Clara and tributary agencies will need to be amended to incorporate the repayment and reserve obligations of each agency. These amendments will be finalized prior to establishing the commercial paper program and/or securing State Revolving Fund loans.

HONORABLE MAYOR AND CITY COUNCIL

April 6, 2015

Subject: Status of Regional Wastewater Facility Ten-Year Funding Strategy

Page 3

Staff will return to TPAC and City Council in May 2015 with specific recommendations and detailed next steps on the ten year funding strategy for the RWF CIP.

COORDINATION

This information memorandum has been coordinated with the Department of Finance, the Office of the City Attorney, and the City Manager's Budget Office.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions, please contact Linda Charfauros, Division Manager, at (408) 535-8553.



February 12, 2016

Dear Tributary Agencies,

I am responding to a letter dated February 11, 2016 submitted to Treatment Plant Advisory Committee ("TPAC") from your respective agencies. While the letter was addressed to TPAC, I would like to respond as the Mayor of San José. The City of San José's staff have continued to communicate and demonstrate a consistent intent to negotiate concerns over the Capital Improvement Program and the Master Agreements.

At the January TPAC meeting, when I raised the issue of the extensive Public Records Act (PRA) submitted by your agencies on January 12, 2016, I was hoping we could move forward towards resolution. Instead, your agencies responded by voting against a budget allocation for negotiations and by filing Breach of Contract claims on January 25, 2016. It was in response to those claims that we submitted a PRA in order to adequately prepare a defense.

Despite your votes against negotiations, the City Council approved a mid-year budget adjustment for negotiations on February 9th, 2016 and is now prepared to begin a mediated discussion.

If the Tributary Agencies desire to withdraw the claim, we are prepared to continue a course where issues can be resolved through mediation, not litigation.

Sincerely,



Sam Liccardo
Mayor

CC: Jose Esteves, Mayor, City of Milpitas
City Council, City of Santa Clara
Board of Directors, Cupertino Sanitary District
Board of Directors, West Valley Sanitation District
Board of Directors, County Sanitation Districts Nos. 2-3
Board of Directors, Burbank Sanitary District



February 11, 2016

Treatment Plant Advisory Committee
City of San Jose
200 E. Santa Clara St.
San Jose, CA 95113

Re: Item 5 A: Master Agreement Claim Hearing Process

Dear Members of the Treatment Plant Advisory Committee

As you know this past Monday, February 8, 2016, the San Jose City Council held a study session on the San Jose/ Santa Clara Regional Wastewater Facility Capital Improvement Program. Tributary Agencies staff and several members of the Boards attended the session to hear San Jose's presentation to the City Council. The Tributary Agencies appreciated the opportunity to present their concerns to the San Jose City Council and to answer questions that were raised. This opportunity improved the communication and helped to eliminate what the Tributary Agencies believe was a misrepresentation by City staff of our position. As we had indicated in the Study Session, the Tributary Agencies stand ready and willing to work with the City of San Jose to resolve the issues we have raised, to allow for successful implementation of the capital improvements for the treatment plant. The Tributary Agencies are open to the offer from Mayor Liccardo to the use of a mediator in an effort to expedite resolution.

The San Jose City Council's and the Tributary Agencies' mutual desire to expediently resolve the issues is widely evident. We look forward to the Leadership from the City Council to a process that will ultimately lead to an amenable agreement.

However, we are receiving mixed messages from the City of San Jose staff. While on the one hand, we are optimistic about working with San Jose City Council to resolve the issues, the Tributary Agencies received a Public Records Act request on February 9, 2016 for detailed information about the Tributary Agencies' methods of rate calculation, budgeting, settlement agreements with third parties regarding sanitary sewer overflows, and other information.

It would be hypocritical of the Tributary Agencies to object to the City's right to file the PRA, since as you are aware the agencies filed their own records request with the city several weeks ago. We do, however, question the timing of the City's request -- the same day Council expressed a willingness to address our concerns through further discussions -- and the staff's reasoning for the filing. While we will of course be complying with the request, we do not believe that the information requested will be helpful towards resolution of the Tributary Agencies' Claim and the other issues before us. The Tributary Agencies are wondering

whether the City Council is aware that City of San Jose Staff issued this Public Records Act request to us. Based upon the inconsistent messages received, the Tributary Agencies would like to know the City of San Jose's position on resolving the issues in good faith.

Sincerely,

City of Milpitas



Nina Hawk, Public Works Director
nhawk@ci.milpitas.ca.gov
phone: (408) 586-2603

West Valley Sanitation District



Jon Newby, District Manager and
Engineer

Burbank Sanitary District



Richard Tanaka, District Manager

Cupertino Sanitary District



Richard Tanaka, District Manager

County Sanitation District 2-3



Richard Tanaka, District Manager
2603960.1

City Manager's Contract Approval Summary
For Procurement and Contract Activity between \$100,000 and \$1.08 Million for Goods and \$100,000 and \$270,000 for Services

FEBRUARY 1, 2016 - FEBRUARY 29, 2016

Description of Contract Activity ¹	Fiscal Year	Req#/RFP#	PO#	Vendor/Consultant	Original Amount	\$	Start Date	End Date	Additional \$ Amount	Total \$ Amount	Comments
OVERHAUL OF TPS & FLOWAY PUMPS TO INCLUDE PULL, INSPECTION OVERHAUL AND REINSTALL AS NEEDED.	15-16	21802	52348	MARTECH, INC	\$150,000		2/1/2016	1/31/2017			
ENGINE CONTROL SYSTEM UPGRADE FOR ENGINE 2 AND 3	15-16	21894	79023	COASTAL IGNITION & CONTROL INC	\$408,275		2/15/2016	2/14/2017			
LABOR, EQUIPMENT, AND MATERIALS FOR CRANE UPGRADE AND REPAIR SERVICES	15-16	21964	52354	GP CRANE & HOIST SERVICES	\$100,000		12/1/2015	11/30/2016			
WEED ABATEMENT SERVICE	15-16	22027	52390	LONG'S CUSTOM DISCING, INC	\$110,000		2/1/2016	1/31/2017			
TEMPORARY PERSONNEL - ASSISTANT ENVIRONMENTAL INSPECTOR (2)	15-16	22038	52403	TRENDTECH INC	\$119,000		1/1/2016	6/30/2016			
TEMPORARY PERSONNEL - LABORATORY TECHNICIAN I (3)	15-16	22122	52356	KELLY SERVICES	\$106,080		1/10/2016	6/30/2016			
PRE-DESIGN AND DESIGN TECHNICAL SUPPORT SERVICES FOR COGENERATION FACILITY	15-16		AC27060	BLACK & VEATCH	\$1,240,888		12/11/2015	6/30/2019			SERVICE ORDER #1 (MASTER AGREEMENT TERM 8/26/15-6/30/19)

¹ This report captures completed contract activity (Purchase Order Number, Contract Term, and Contract Amount)