

SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

SAM LICCARDO, CHAIR
PAT KOLSTAD, VICE CHAIR
PIERLUIGI OLIVERIO, MEMBER
DAVID SYKES, MEMBER
MANH NGUYEN, MEMBER

JOSE ESTEVES, MEMBER
TERESA O' NEILL, MEMBER
STEVEN LEONARDIS, MEMBER
JOHN GATTO, MEMBER

AGENDA/TPAC

4:00 p.m.

December 8, 2016

Room 1734

1. **ROLL CALL**

2. **APPROVAL OF MINUTES**

A. October 13, 2016

3. **UNFINISHED BUSINESS/REQUEST FOR DEFERRALS**

4. **DIRECTOR'S REPORT**

- A. Directors Report (verbal)
- Monthly Progress Report

5. **AGREEMENTS/ACTION ITEMS**

- A. **Broker, Administrative, and Claims Services to Implement an Owner Controlled Insurance Program for the San Jose – Santa Clara Regional Wastewater Facility Capital Improvement Program**

Staff Recommendation: Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager to:

- (1) Negotiate and execute an agreement with Alliant Risk Services, Inc. to provide broker, claims, and administrative services to establish and maintain a multiline, rolling Owner Controlled Insurance Program for capital improvements at the San José – Santa Clara Regional Wastewater Facility for the term December 14, 2016 through December 13, 2021, with maximum compensation of \$900,000, subject to the appropriation of funds.
- (2) Exercise up to two five-year options to extend the term of the Agreement through December 13, 2031, with maximum compensation not to exceed \$245,000 annually, subject to the appropriation of funds.

This item is scheduled for consideration by the City Council on December 13, 2016.

6. **OTHER BUSINESS/CORRESPONDENCE**

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

A. **San José – Santa Clara Regional Wastewater Capital Improvement Program Semiannual Status Report**

Staff Recommendations: Accept the semiannual progress report on the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program for the period January through June 2016.

The progress report was approved by the City Council on October 25, 2016.

B. **Master Consultant Agreement with Brown and Caldwell Inc. for Engineering Services as Owner’s Advisor for the 7758 – Digested Sludge Dewatering Facility Project at the San Jose- Santa Clara Regional Wastewater Facility**

Staff Recommendation: Approve a Master Consultant Agreement with Brown and Caldwell to provide engineering services as owner’s advisor for the 7758 – Digested Sludge Dewatering Facility at the San José- Santa Clara Regional Wastewater Facility from the date of execution through December 31, 2023, in a Total amount not to exceed \$7,700,000, subject to the appropriation of funds.

The proposed recommendation was approved by the City Council on October 25, 2016.

C. **Actions Related to the Purchase Order for Mechanical Maintenance and Repair Services**

Staff Recommendation: Adopt a resolution to authorize the City Manager to:

- (3) Execute a Purchase Order with Monterey Mechanical Company (Oakland,CA) to provide all labor, material, and equipment for mechanical maintenance and repair services for various wastewater treatment projects at the Regional Wastewater Facility for the term November 1, 2016 through October 17, 2017, in a total amount not to exceed \$290,000.
- (4) Exercise up to four one-year options to extend the term of the Purchase Order through October 31, 2021, for an aggregate maximum compensation amount of \$1,200,000, subject to the annual appropriation of funds.

The proposed resolution was adopted by the City Council on October 25, 2016.

D. Purchase of California Carbon Allowances

Staff Recommendation: Approve the Agreement between the City of San Jose and Vitol, Inc., which is approved by the California Air Resources Board for the purchase of California Carbon Allowances for the San José-Santa Clara Regional Wastewater Facility, as part of the California Cap-and-Trade Program, for an amount not to exceed \$310,000.

The proposed resolution was adopted by the City Council on October 25, 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 next monthly TPAC Meeting is January 12, 2017, at 4:00 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, October 13, 2016 at 4:00 p.m.

1. ROLL CALL

Minutes of the Treatment Plant Advisory Committee convened this date at 4:02 p.m. Roll call was taken with the following members in attendance:

Committee Members: Jose Esteves, Pat Kolstad, Patrick Kwok (alternate), Sam Liccardo, Manh Nguyen, Pierluigi Oliverio, Dave Sykes, Steven Leonardis, Teresa O'Neill

Absent: Committee Member John Gatto

2. APPROVAL OF MINUTES

A. September 8, 2016

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

Ayes – 7 (Esteves, Kolstad, Kwok, Liccardo, Nguyen, Oliverio, Sykes)

Nays – 0

Absent – 2 (Leonardis, O'Neill)

3. UNFINISHED BUSINESS/REQUEST FOR DEFERRALS

4. DIRECTORS REPORT

A. Directors Report (verbal)

- Monthly Progress Report

Director Kerrie Romanow announced the retirement of Deputy Director Joanna De Sa and acknowledged her contributions to the City of San José.

5. AGREEMENTS/ACTION ITEMS

A. San José – Santa Clara Regional Wastewater Facility Capital Improvement Program Semiannual Status Report

Staff Recommendations: Accept the semiannual status report on the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program for the Period January through June 2016.

This item is scheduled for consideration by the City Council on October 25, 2016.

Deputy Director Julia Nguyen and Principal Engineer John Cannon presented on this item.

Committee Member Kwok requested a report of all active Regional Wastewater Facility Capital Improvement Program consultant agreements and service orders, a request he stated he had already made at a previous TPAC meeting. Assistant Director Ashwini Kantak responded that, as requested, such a report was already being provided to staff of all the Agencies on a quarterly basis, however in the future, City staff would also send this report directly to TPAC members.

Chair Liccardo inquired if the list of 25 active projects were on track in terms of schedule and expenditures. Assistant Director Ashwini Kantak responded that the majority of projects are currently progressing as planned; project schedules for a few projects had been adjusted based on resource and funding availability. Future CIP reports could provide additional detail on project status.

On a motion made by Committee Member Oliverio and a second by Committee Member Kolstad, TPAC recommended approval of staff's recommendation for Item 5.A.

Ayes – 9 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Nguyen, Oliverio, O'Neill, Sykes)

Nays – 0

Absent – 0

B. Master Consultant Agreement with Brown and Caldwell, for Engineering Services as Owner's Advisor for the 7758 – Digested Sludge Dewatering Facility Project at the San Jose – Santa Clara Regional Wastewater Facility

Staff Recommendation: Approve a Master Consultant Agreement with Brown and Caldwell to provide engineering services as owner's advisor for the 7758 – Digested Sludge Dewatering Facility at the San José – Santa Clara Regional Wastewater Facility from the date of execution through December 31, 2023, in a total amount not to exceed \$7,700,000, subject to the appropriation of funds.

This item is scheduled for consideration by the City Council on October 25, 2016.

Program Manager Colin Page presented on this item.

On a motion made by Committee Member Oliverio and a second by Committee Member Kolstad, TPAC recommended approval of staff's recommendations for Item 5.B.

Ayes – 8 (Kolstad, Kwok, Leonardis, Liccardo, Nguyen, Oliverio, O'Neill, Sykes)

Nays – 1 (Esteves)

Absent – 0

Committee Member Esteves expressed that his opposition was due to the fact that amendments to the Master Agreements have not been negotiated.

C. Actions Related to the Purchase Order for Mechanical Maintenance and Repair Services

Staff Recommendation: Adopt a resolution authorizing the City Manager to:

- (1) Execute a Purchase Order with Monterey Mechanical Company (Oakland, CA) to provide all labor, material, and equipment for mechanical Maintenance and repair services for various wastewater treatment projects at the Regional Wastewater Facility for the term November 1, 2016 through October 31, 2017, in an amount not to exceed \$290,000.
- (2) Exercise up to four one-year options to extend the term of the Purchase Order through October 31, 2021, for an aggregate maximum compensation amount of \$1,200,000, subject to the annual appropriation of funds.

This item is scheduled for consideration by the City Council on October 25, 2016.

On a motion made by Committee Member Oliverio and a second by Committee Member Kolstad, TPAC recommended approval of staff's recommendation for Item 5.C.

Ayes – 9 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Nguyen, Oliverio, O'Neill Sykes)

Nays – 0

Absent – 0

D. Purchase of California Carbon Allowances

Staff Recommendation: Approve the Agreement between the City of San José and Vitol, Inc., which is approved by the California Air Resources Board for the purchase of California Carbon Allowances for the San José - Santa Clara Regional Wastewater Facility, as part of the California Cap-and-Trade Program, for an amount not to exceed \$310,000.

This item is scheduled for consideration by the City Council on October 25, 2016.

Committee Member Kwok asked what steps city staff is taking to mitigate potential risks of re-entering into the California Cap-and- Trade Program (CATP).

Assistant Director Ashwini Kantak explained that the RWF entered the CATP in 2013 due to failure of the digester gas holder and failure of landfill gas infrastructure. Upon entering the CATP, an entity is required to continue to be in program through two compliance periods. Since 2013 staff has been very closely monitoring and managing the purchase of natural gas and electricity and this has enabled the RWF to stay under the 25,000 metric ton threshold. The RWF anticipates staying under the cap until the new Cogeneration Facility comes online in 2019. At that time, staff will bring forward a comprehensive energy generation and management strategy at the RWF.

On a motion made by Committee Member Oliverio and a second by Committee Member Kolstad, TPAC recommended approval of staff's recommendation for Item 5.D.

Ayes – 9 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Nguyen, Oliverio, O'Neill, Sykes)

Nays – 0

Absent – 0

6. OTHER BUSINESS/CORRESPONDENCE

A. Information Memorandum: Public Art Appropriation Review

Assistant Director Ashwini Kantak re-iterated that the memo formalized adjustments made to the 2015-2016 Capital Improvement Program budget. Many of the projects were not subject to the Public Art Allocation due to the fact that they were rehabilitation projects and not new construction projects. The City of San José, City of Santa Clara, and each tributary agency will be credited for their share of the Public Art Appropriation during the third quarter reconciliation. Interest will be factored into the final amount as is typically done for the overall adjustment.

7. STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC

A. Master Consultant Agreement with Kennedy/Jenks Consultants, Inc. for Engineering Services for the 7760 – Facility Wide Water Systems Improvements Project at the San Jose- Santa Clara Regional Wastewater Facility

Staff Recommendation: Approve a Master Consultant Agreement with Kennedy/Jenks Consultants, Inc. to provide engineering services for the 7760 – Facility Wide Water Systems Improvements Project at the San José – Santa Clara Regional Wastewater Facility from the date of execution through June 30, 2023, in a total amount not to exceed \$2,100,00, subject to the appropriation of funds.

The proposed recommendation was approved by the City Council on September 20, 2016.

B. Report on Request for Proposal for Broker, Administrative, and Claims Services to Implement an Owner Controlled Insurance Program for the San Jose – Santa Clara Regional Wastewater Facility Capital Improvement Program

Staff Recommendations: Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager to:

- (1) Negotiate and execute an agreement with Alliant Risk Services, Inc. to provide broker, claims, and administrative services to establish and maintain a multiline, rolling Owner Controlled Insurance Program for capital improvements at the

Regional Wastewater Facility for the term September 20, 2016 through September 19, 2021, with a maximum compensation amount of \$1,025,00 for the initial five year term, not to exceed \$245,000 per year.

- (2) Exercise up to two five-year options to extend the term of the Agreement after the initial term through September 2031, subject to the appropriation of funds, with maximum compensation not to exceed \$245,000 per year.

On September 20, 2016, City Council discussed this item. Based on questions raised about a protest, Council rejected all bids and directed staff to re-bid the project.

C. Approval of Citywide Insurance Renewals

Staff Recommendation: Adopt a resolution authorizing the Director of Finance to:

- (a) Select and purchase certain City property and liability insurance policies for the period October 1, 2016 to October 1, 2017 at a total cost not to exceed \$1,750,000, with the following insurance carriers:
 - (1) American Home Assurance Company for Property & Casualty Insurance, including Boiler & Machinery.
 - (2) Old Republic Aerospace, Phoenix Aviation Managers, for Airport Owners and Operators Liability including War Risks & Extended Perils Coverage (Primary and Excess) and Police Aircraft Hull & Liability including War Risks & Extended Perils.
 - (3) The Travelers Indemnity Company of CT for Automobile Liability, or other insurance carriers that the City is currently in negotiations with, (Airport fleet vehicles including Shuttle Buses, Regional Wastewater Facility fleet vehicles, and Airport Shuttle Bus physical damage).
 - (4) QBE Specialty Insurance Company for Secondary Employment Law Enforcement Professional Liability.
 - (5) National Union Fire Insurance Company of Pittsburg, PA for Life/Accidental Death and Dismemberment Policy for the Police Air Support Unit.
- (b) Select and purchase Government Fidelity/Crime Coverage for the period December 18, 2016 to December 18, 2017, at a cost not to exceed \$26,000.

The proposed resolution was adopted by the City Council on September 20, 2016.

D. Burrowing Owl Habitat Improvements at the San Jose- Santa Clara Regional Wastewater Facility

Staff Recommendation: Accept this progress report highlighting the ongoing habitat management activities for the Western Burrowing Owl on San José- Santa Clara Regional Wastewater Facility bufferlands.

The progress report was accepted by the Transportation and Environment Committee on September 12, 2016 and by the City Council on October 4, 2016.

- E. Master Consultant Agreement with Williams, Adley, & Company- CA, LLP for 8132 – Audit Services for the San Jose- Santa Clara Regional Wastewater Facility

Staff Recommendation: Approve a Master Consultant Agreement with Williams, Adley, & Company – CA, LLP to provide audit services for the Capital Improvement Program at the San José- Santa Clara Regional Wastewater Facility from the date of Execution through December 21, 2021 in a total amount not to exceed \$1,000,000, subject to the appropriation of funds.

The proposed recommendation was accepted by the City Council on September 20, 2016.

- F. Contract Change Order No. 12 for 7394 – Emergency Diesel Generator Package 2A Project

Staff Recommendation: Approve a Contract Change Order for a credit to the City in the amount of \$718,000 and extend the construction completion date from January 11, 2017 to February 22, 2017 for the Emergency Diesel Generator Package 2A Project.

The proposed recommendation was approved by the City Council on September 20, 2016.

Assistant Director Ashwini Kantak mentioned that Item 7.B. received Council direction to reject all bids due to questions raised through a protest. City staff is currently in the process of a re-bidding the proposal and that a revised recommendation would be brought forward to TPAC and Council in December 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 of services between \$100,000 and \$270,000.

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

Ayes – 9 (Esteves, Kolstad, Kwok, Leonardis, Liccardo, Nguyen, Oliverio, O’Neill, Sykes)

Nayes – 0

Absent – 0

9. **MISCELLANEOUS**

- A. The next monthly TPAC Meeting is November 10, 2016, at 4:00 p.m., City Hall, Room 1734.

10. **OPEN FORUM**

- A. Dean Stanford, Seth LaForge, Eduardo Morales, Gus Meyner, Andrew Spencer, and Paul Slavik spoke in support of opening a zero emission recreational vehicle park in San José.

Committee Member Esteves inquired if the subject was within TPAC's purview and suggested that this item be agendaized for a future TPAC meeting. Director Romanow indicated that although there is recreational land set aside in the Plant Master Plan; there is no direction from the City Council or City Manager's Office to work on this effort at this time. Chair Liccardo concurred with this statement and the item was not agendaized for future discussion.

11. **ADJOURNMENT**

- A. The Treatment Plant Advisory Committee adjourned at 4:47 p.m.

Sam Liccardo, Chair
TREATMENT PLANT ADVISORY COMMITTEE



San José-Santa Clara
Regional Wastewater Facility

Capital Improvement Program Monthly Status Report: October 2016

December 1, 2016

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

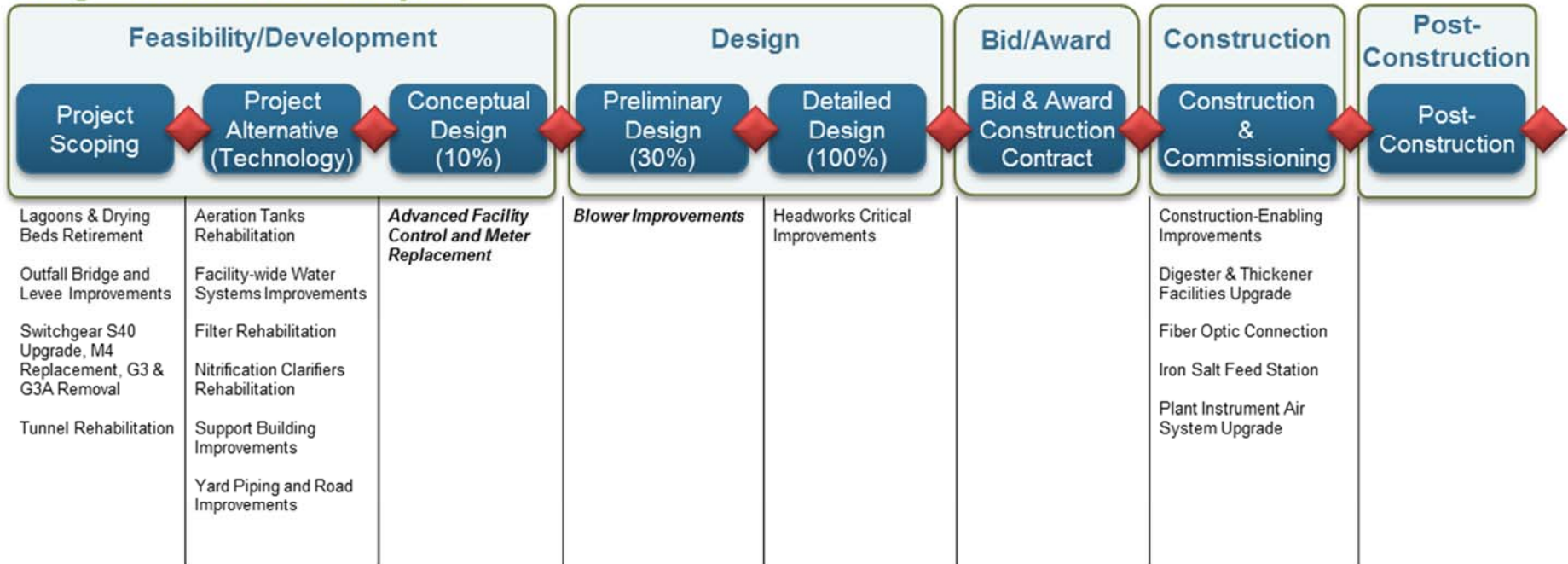
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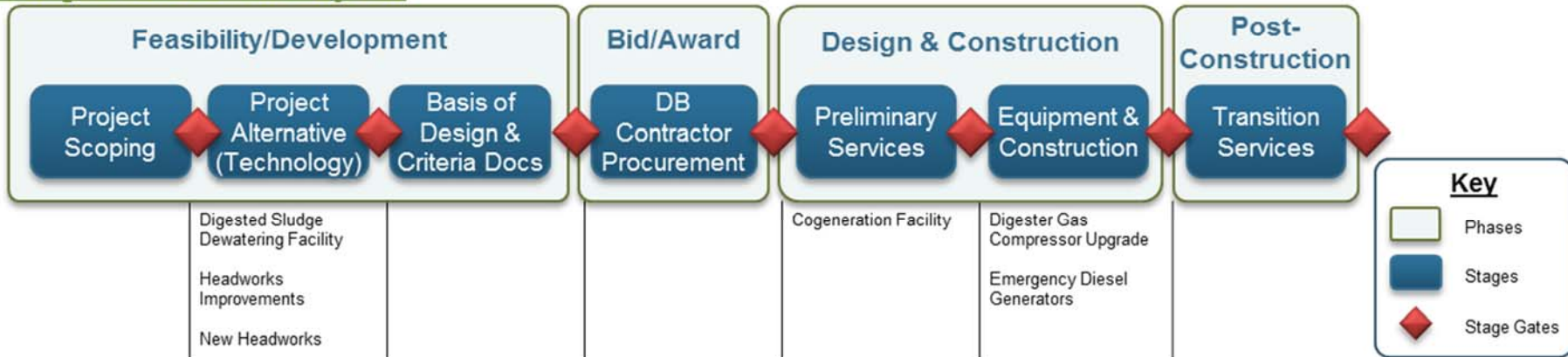


Project Delivery Model

Design-Bid-Build Active Projects



Design-Build Active Projects



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



Program Summary

October 2016

In October, the CIP progressed on multiple fronts, including advancing two projects through the Project Delivery Model (PDM) stage gate process: the Blower Improvements Project (Authorization to Proceed), and the Headworks Critical Improvements Project (Authorization to Bid).

In additional developments, CIP staff:

- Presented recommendations to the Treatment Plant Advisory Committee (TPAC) and City Council (Council) to award Brown and Caldwell a master consultant agreement (MCA) to provide Owner's Advisor engineering services for the Digested Sludge Dewatering Project; and accept the January-June 2016 CIP Semi-annual Status Report. Both recommendations were approved.
- Advertised a Request for Qualifications (RFQ) for firms interested in providing programwide industrial hygienist services for the RWF. The scope of these services includes assessing existing conditions and testing for hazardous materials; providing field testing services; preparing construction specifications, remediation, and compliance plans that will satisfy the state's Division of Occupational Safety and Health requirements and all other applicable codes and standards; and monitoring as necessary during CIP Project construction.

Design work was completed on the Headworks Critical Improvements Project this month. The Cogeneration Facility Design-Build Project continued to progress through preliminary design work stages. Staff will recommend a preferred engine and gas purification early works package in November. Conceptual design and alternatives analysis work continued on the Headworks Improvements, New Headworks, Filter Rehabilitation, and Nitrification Clarifier Rehabilitation projects. The Conceptual Design Report was completed for the Blower Improvements Project; detailed design work will commence on the project next month. Condition assessment work progressed on the Filter Rehabilitation and Nitrification Clarifier Rehabilitation projects. Both projects will complete condition assessment activities next month, and then will begin alternative analysis and conceptual design tasks. Service orders negotiations for the Advanced Facility Control and Meter Replacement Project were completed this month. Condition assessment work will commence in November.

Construction work continued at the RWF on the Emergency Diesel Generators, Digester Gas Compressor Upgrade, Iron Salt Feed Station, Fiber Optic Connection, Construction-Enabling Improvements, and Digester and Thickener Facilities Upgrade projects. Staff carried out a number of major process shutdowns to isolate sections of the RWF and allow construction to progress for the Digester and Thickener Facilities Upgrade Project. These shutdowns revealed major damage to a critical, 78-inch effluent pipeline. Further investigations are ongoing to evaluate necessary repairs and design modifications. Pre-construction activities also commenced on the Plant Instrument Air System Upgrade Project this month.

Look Ahead

In November, CIP project teams and associated design consultants will move forward with design, condition assessment, and alternatives analysis work for the Headworks Improvements, New Headworks, Cogeneration Facility, Filter Rehabilitation, Blower Improvements, Nitrification Clarifiers Rehabilitation, and Advanced Facility Control and Meter Replacement projects. The Headworks Critical Improvements Project will be advertised for construction in November. Applications and discussions with the State Water Resources Control Board relating to Clean Water State Revolving Fund (SRF) funding for the Digester and Thickener Facilities Upgrade and Cogeneration Facility projects will also continue.

Staff will continue with efforts related to consultant procurements and service orders, including for the Aeration Tanks Rehabilitation, Facility-wide Water Systems Improvement, Switchgear S40 Upgrade, M4 Replacement, G3 and G3A Removal, Digested Sludge Dewatering Facility, Support Building Improvements, and Yard Piping and Road Improvements projects. An RFQ for Owner's Advisor services for the Yard Piping and Road Improvements Project will also be advertised in December. In January 2017, staff will recommend that TPAC and Council award an engineering services MCA for the Support Buildings Improvement Project.

Construction activities will continue on the Emergency Diesel Generators, Digester Gas Compressor Upgrade, Iron Salt Feed Station, Fiber Optic Connection, Digester and Thickener Facilities Upgrade, Construction-Enabling Improvement, and Plant Instrument Air System Upgrade projects.



Program Highlight – Condition Assessment Procedure

An essential element in the ongoing effort to rebuild the aging RWF is condition assessment. RWF treatment processes and support facilities date from the early 1960s and are in varying states of operability due to intensity of use, maintenance, and environmental conditions. The CIP is comprised of projects to rebuild the RWF. Most CIP projects include condition assessments to examine the current state of facilities' structural, mechanical, electrical, and instrumentation/controls systems conditions, determine their remaining useful life, and identify needed repairs or replacements to extend service. Techniques and methods to inspect, observe, and measure RWF facilities' conditions include visual observation, the use of remotely operated cameras, concrete coring, electronic sensing devices, laser scanners, and the use of underwater divers. During inspections, teams strictly adhere to confined space procedures; however, as a precaution, rescue teams are also on site to safely recover inspection teams should unexpected difficulties arise.

When design engineering consultants are appointed, one of their first tasks is to conduct condition assessments of the facilities within their scope of services. This assessment analyzes all aspects of treatment and support systems, and evaluates whether facilities can be effectively operated and maintained in their current condition. The condition assessment also identifies and prioritizes specific areas that need repairs or replacement. The consultant then develops alternatives for implementing the necessary improvements, taking into account products and materials, construction sequencing strategies, and probable cost of construction. At the conclusion of the condition assessment, the consultant presents an analysis of improvement alternatives together with a recommended preferred alternative that will support continued regulatory compliance and operational flexibility, and that falls within the allocated construction budget.

RWF facilities to be inspected as part of an assessment are usually operational with the consequent hazards that presents. To complete an assessment, staff must often plan and carry out one or more process shutdowns, described in detail in the [September 2016 Monthly Status Report](#). When a process shutdown is required, planned, approved, and implemented, the

condition assessment team must be ready to do its work at the low-flow period of the day – usually from 2:00 a.m. to 6:00 a.m. During this time, Operations and Maintenance (O&M) staff must operate the facility to limit flow to selected structures while maintaining compliance with the RWF's discharge permit, and maintaining the supply of treated wastewater to the South Bay Water Recycling system.

CIP project condition assessments have been carried out, or are planned, this fiscal year for Blowers Improvement, Filter Rehabilitation, Nitrification Clarifiers Rehabilitation, Advanced Facility Control and Meter Replacement, Facility-wide Water Systems Improvement, Support Building Improvements, and Aeration Tanks Rehabilitation projects.



Figure 1: Technological devices such as the Pipeline Inspection and Condition Analysis' Seesnake allow visual and electronic inspection of flooded piping.



Figure 2: Concrete scanning and coring to evaluate structural conditions in the Filter Block.

Program Performance Summary

Eight key performance indicators (KPIs) have been established to measure overall CIP success. 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 program.

Program Key Performance Indicators – Fiscal Year 2016-2017

KPI	Target	Fiscal Year to Date			Fiscal Year End		
		Actual	Status	Trend	Forecast	Status	Trend
Stage Gates	80%	100%			100%		
		3/3 ¹			23/23		
Measurement: Percentage of initiated projects and studies that successfully pass each stage gate on their first attempt. Target: Green: >=80%; Amber: 70% to 80%; Red: < 70%							
Schedule	90%	NA			50%		
		0/0			2/4		
Measurement: Percentage of CIP projects delivered within 2 months of approved baseline Beneficial Use Milestone. Target: Green: >=90%; Amber: 75% to 89%; Red: < 75%							
Budget	90%	NA			75%		
		0/0			3/4		
Measurement: Percentage of CIP projects that are accepted by the City within the approved baseline budget. Target: Green: >=90%; Amber: 75% to 89%; Red: < 75%							
Expenditure	\$186M ²	\$174M			\$242M ³		
Measurement: CIP FY16-17 committed costs. Committed cost meets or exceeds 70% of planned Budget Target: 70% of \$266M = \$186M. Therefore Green: >=\$186M; Amber: \$146M to \$186M; Red: < \$146M							
Procurement	80%	50%			100%		
		1/2 ⁴			5/5		
Measurement: Number of consultant and contractor procurements advertised compared to planned for the fiscal year. Target: Green: >=80%; Amber: 70% to 79%; Red: < 70%							
Safety	0	0			0		
Measurement: Number of OSHA reportable incidents associated with CIP delivery for the fiscal year. Criteria: Green: zero incidents; Amber: 1 to 2; Red: > 2							
Environmental	0	0			0		
Measurement: Number of permit violations caused by CIP delivery for the fiscal year. Target: Green: zero incidents; Amber: 1 to 2; Red: > 2							
Staffing⁵	80%	100%			100%		
		5/5			24/24		
Measurement: Number of planned positions filled for the fiscal year. Target: Green: >=80%; Amber: 70% to 79%; Red: < 70%							

Notes

1. The Blower Improvements Project successfully passed Stage Gate 3: Authorization to Proceed and the Headworks Critical Improvement Project successfully passed Stage Gate 5: Authorization to Bid.
2. The CIP baseline budget was reduced by a net \$10 million as the \$11 million budget for repayment of SRF loan and debt service associated with South Bay Water Recycling (SBWR) was removed from CIP reporting totals. Additionally, \$1 million was added to the CIP budget from the fall budget clean up.
3. The fiscal year-end projection has increased due to an increase in anticipated encumbrances, but the reported value is less than last month due to the removal of SBWR expenditures from CIP reporting totals.
4. The CIP advertised the Programwide Industrial Hygienist Services RFQ on October 31. The RFQ for consultant services for the Yard Piping & Road Improvements Project was not advertised as originally anticipated.
5. 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.

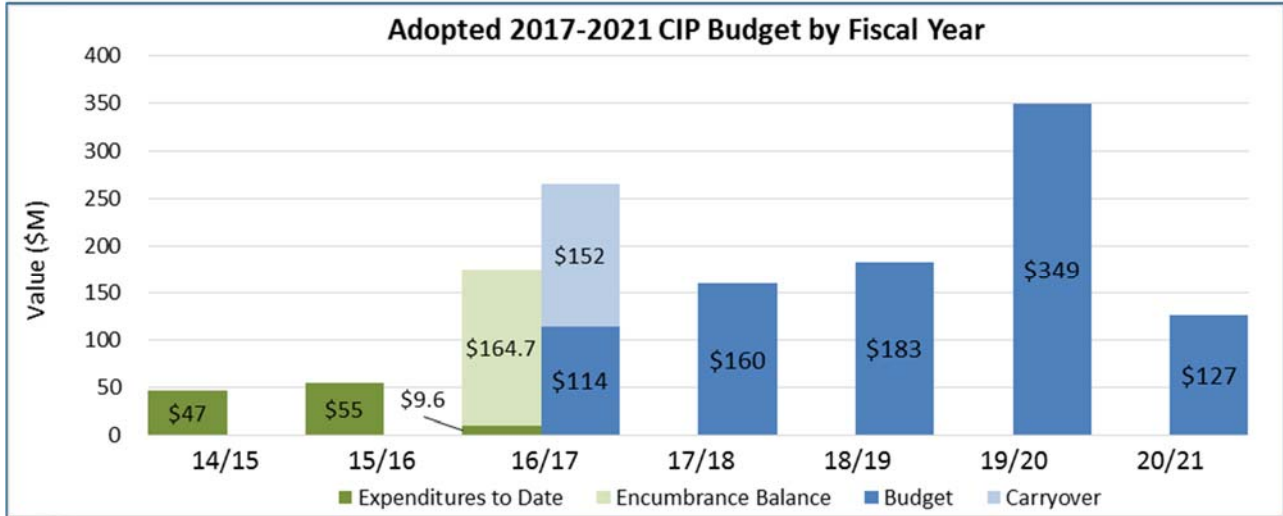


Program Cost Performance Summary

This section summarizes CIP cost performance for all construction projects and non-construction activities for fiscal year (FY)16-17 and for the 2017-2021 CIP.

Adopted 2017-2021 CIP Expenditure and Encumbrances

FY14-15 and FY15-16 expenditures have been adjusted to reflect the CIP portion of the Treatment Plant Capital Fund (Fund 512), excluding South Bay Water Recycling and Urgent and Unscheduled Cost (\$2.6 million and \$1.5 million, 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. Expenditures to date decreased this month as the expenses associated with the SBWR loan and debt service payments have been removed.

Encumbrance: Financial commitments, such as purchase orders or contracts, that 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.

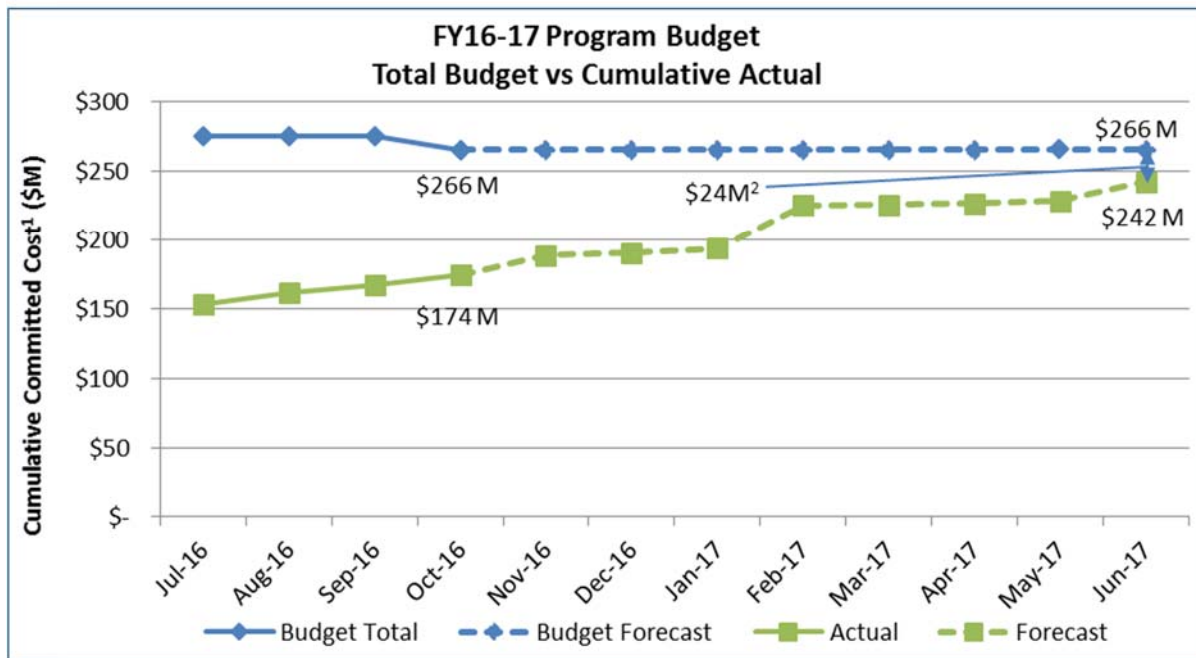
Budget: Adopted 2017-2021 CIP Budget, which is new funding plus rebudgeted funds. Budget decreased this month as the budget associated with the SBWR loan and debt service payments have been removed.

Carryover: Encumbrance balances at the end of a fiscal year become carryover funding. Carryover is different from rebudgeted funds, in that it automatically utilizes funding that was previously committed, but not yet paid.



Fiscal Year 2016-2017 Program Budget Performance

This budget comprises the FY16-17 budget of \$114 million, plus carryover of \$152 million. The budget excludes Reserves, Ending Fund Balance, South Bay Water Recycling, Public Art, and Urgent and Unscheduled Rehabilitation items.



Notes:















1. Committed costs are expenditures and encumbrance balances, including carryover (encumbrance balances from the previous fiscal year).
2. The forecasted variance between budget and expenditures can be primarily attributed to the following factors:
 - a. Expenses anticipated for the pre-purchase of blowers for the Blower Improvements Project are no longer required this fiscal year. Originally, the project had identified a potential need to pre-purchase blowers to meet schedule constraints. As design progressed, this pre-purchase was deemed unnecessary. The equipment will now be purchased in FY17-18 as part of the construction contract.
 - b. Several encumbrances for consultant services are either anticipated to be lower than budgeted or are no longer anticipated this fiscal year.
 - c. Estimated personal services are anticipated to be under budget. Several authorized positions are currently vacant, resulting in lower than budgeted personal services expenses.
 - d. Recurring appropriations such as Equipment Replacement and Plant Infrastructure Improvements are included in the budget, but not anticipated at this time to be expended.







Project Performance Summary

There are currently seven active projects in the construction or post-construction phases, with an additional 17 projects in feasibility/development, design, bid and award, or design and construction (design-build projects) phases (see PDM, page 2). All active projects are listed in the tables below. Projects in the construction phase have established cost and schedule baselines and are monitored using the City's Capital Project Management System (CPMS). Green/red icons are included in the table below to indicate whether these projects are on budget and schedule, using CPMS data as a source.

Project Performance – Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date ¹	Cost Performance ²	Schedule Performance ²
1. Digester Gas Compressor Upgrade	Construction	Jan 2017		
2. Emergency Diesel Generators	Construction	Mar 2017		
3. Fiber Optic Connection	Construction	Feb 2017		
4. Construction-Enabling Improvements	Construction	Mar 2017		
5. Iron Salt Feed Station	Construction	Sep 2017		
6. Plant Instrument Air System Upgrade	Construction	Jan 2018 ³		
7. Digester and Thickener Facilities Upgrade	Construction	Apr 2020		

KEY:

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

Notes

- Beneficial Use is defined as work that is sufficiently complete, in accordance with contract documents, that it can be used or occupied by the City. Beneficial Use dates are 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.
- The project construction Beneficial Use date will be baselined once the contractor submits their construction schedule.



Project Performance – Pre-Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date ¹
1. Headworks Critical Improvements	Design	Oct 2017
2. Cogeneration Facility	Design & Construction	May 2019
3. Blower Improvements	Design	Mar 2020
4. Adv. Facility Control & Meter Replacement	Feasibility/Development	Jan 2021
5. Headworks Improvements	Feasibility/Development	May 2021
6. Switchgear S40 Upgrade, M4 Replacement, G3 & G3A Removal	Feasibility/Development	Jul 2021
7. Digested Sludge Dewatering Facility	Feasibility/Development	Dec 2021
8. Outfall Bridge and Levee Improvements	Feasibility/Development	Jun 2022
9. Filter Rehabilitation	Feasibility/Development	Jul 2022
10. Facility-wide Water Systems Improvements	Feasibility/Development	Jul 2022
11. New Headworks	Feasibility/Development	Oct 2022
12. Nitrification Clarifiers Rehabilitation	Feasibility/Development	Nov 2022
13. Yard Piping and Road Improvements	Feasibility/Development	Mar 2023
14. Aeration Tanks Rehabilitation	Feasibility/Development	Mar 2024
15. Tunnel Rehabilitation	Feasibility/Development	Nov 2025
16. Support Building Improvements	Feasibility/Development	Jan 2027
17. Lagoons & Drying Beds Retirement	Feasibility/Development	Apr 2027

Notes

1. Beneficial Use is defined as work that is sufficiently complete, in accordance with contract documents, that it can be used or occupied by the City. Beneficial Use dates are reviewed as part of project schedule reviews.



Significant Accomplishments

Biosolids Package

Digester and Thickener Facilities Upgrade

- Contractor Walsh Construction made significant construction progress this month including utilities and sitework clearance, excavation for the sludge processing facility, and the start of demolition of the digester roofs including lead paint abatement work.
- Two major process shutdowns were carried out to investigate pipeline conditions and plan process bypass options. These investigations revealed major structural damage to a critical 78" effluent pipeline and associated concrete chambers. Further Investigations are currently ongoing to evaluate the necessary repairs and design modifications.
- Staff continued to review and approve submittals, Process Shutdown Requests (PSR), and Requests for Information (RFI). Over 180 submittals, 30 PSRs and 140 RFIs have been received to date. EADOC document management implementation continues to help streamline the management and processing of all construction documents.

Digested Sludge Dewatering Facility

- Council approved an Owner Advisor Agreement with Brown and Caldwell on October 25, 2016. Staff and Brown and Caldwell have begun negotiations for the first service order to start assessing project alternatives.

Facilities Package

Cogeneration Facility

- The design-builder, CH2M, submitted a cost estimate based on the Basis of Design Report completed in September. Estimated costs were considerably higher than the project budget. Value engineering and scope adjustments were evaluated to bring the project costs back in line with the budget.
- The project team evaluated engine and gas purification packages and will recommend a preferred vendor in November.

Construction-Enabling Improvements

- The project team is evaluating several electrical submittals. Contractor Teichert Construction began repairing poor pavement on Zanker Road in advance of final paving and road-widening later this year.

Fiber Optic Connection

- Contractor Aegis ITS, Inc. began conduit and pull box installation and anticipates pulling fiber optic cable by early November.

Support Building Improvements

- The project team completed negotiations with the top-ranked consulting firm, and anticipates in January recommending Council award the MCA. Next, staff and the consultant will negotiate the first service order to start condition assessment work and assessing project alternatives.

Liquids Package

Advanced Facility Control and Meter Replacement

- The project team issued the Notice to Proceed (NTP) to the design consultant Black & Veatch Corporation on October 19 and commenced conceptual design work.
- Black and Veatch submitted their draft project work plan for review and will begin work on condition assessment in November.

Blower Improvements

- The project team successfully passed the Stage Gate 3: Authorization to Proceed, moving the project into the PDM Preliminary Design stage.
- The project team completed negotiating the scope of work and fees with design consultant Brown & Caldwell, issued the NTP on October 28, and scheduled a kickoff meeting for next month.

Filter Rehabilitation

- The project team held a workshop to discuss the results of the draft Tertiary Process Energy Evaluation Technical Memorandum.
- Design consultant Kennedy/Jenks completed the onsite process, structural, and mechanical condition assessment of the tertiary filters and prepared for the effluent channel condition assessment.



Headworks Critical Improvements

- CDM Smith submitted the final design drawings and specification documents. The project team successfully passed Stage Gate 6: Authorization to Award and Establish Baseline. The project will be advertised for construction in November.

Iron Salt Feed Station

- Contractor Anderson Pacific completed formwork for concrete footings, slabs, and walls for the iron salt station and began formwork for concrete footings, slabs, and walls for the polymer station.

New Headworks

- The project team held workshops with O&M staff to discuss results of the hydraulic analysis and preferred equipment technologies to finalize the alternative selection process.

Nitrification Clarifiers Rehabilitation

- Design consultant HDR, with assistance from O&M staff, completed the condition assessment of the nitrification clarifier settled sludge lines and underground utilities, and began the alternative analysis of the clarifier mechanisms.

Power and Energy Package

Emergency Diesel Generators

- Contractor Anderson Pacific submitted the third-party testing report to PG&E for review and approval.

Digester Gas Compressor Upgrade

- Contractor Anderson Pacific successfully tested the cooling tower system.

Plant Instrument Air System Upgrade

- The City held a kickoff meeting and issued the NTP on October 27. Pre-construction activities and EADOC implementation will commence in November.

Studies and Programwide Services

- The City advertised a Request for Qualifications (RFQ) for firms interested in providing programwide industrial hygienist services across the RWF. Staff anticipate awarding the contract in February or March.



Explanation of Project Performance Issues

Emergency Diesel Generator

The project completion schedule has been delayed approximately nine months due to the following three factors:

- Caterpillar, the supplier of the emergency diesel generator system, encountered delays in developing the controls and network switches that interface with existing RWF controls. Caterpillar and Peterson Control are in the process of completing all outstanding items. A problem was found with the new network switches during the factory acceptance test. The City and the design-build team completed an engineering study and found a solution to the problem. Additional switches have been ordered and installed for the existing network system. Caterpillar will conduct Level 1 and Level 2 startup process testing to test and verify that all issues have been corrected. Level 1 startup testing is ongoing. Level 2 system testing will start after Level 1 testing has been completed.
- Additional time is required for Pacific Gas & Electric (PG&E) to schedule the witness test of the emergency diesel generator equipment installation and commissioning to connect to the RWF grid. The City completed the third-party testing of the switchgear, power, and controls and submitted the report to PG&E for review and approval. The proposed onsite inspection and witness testing dates for the emergency diesel generator equipment commissioning have been submitted to PG&E for approval and is pending per PG&E's available schedule.
- A no-cost time extension change order has been processed and fully executed to split the commissioning sequence into two periods and ensure RWF backup power during engine modification work. The City's phase 1 existing engine modification has been completed and testing is ongoing.

Digester Gas Compressor Upgrade

The project is over budget by approximately two percent due to increased project delivery costs associated with increased construction inspection requirements and an extended project timeline.

The project Beneficial Use has been delayed primarily due to the following reasons:

- The compressor skids needed to be reclassified from Class 1 Division 2 to Class 1 Division 1; and
- The Bay Area Air Quality Management District (BAAQMD) had not approved digester gas flaring during the tie-in of the new gas piping with existing piping.

Staff have resolved the reclassification issue. This month, BAAQMD signed a new agreement that permits the RWF to flare digester gas during equipment upgrades. The contractor will shut down and flare the digester gas system in early November to tie in the new digester inlet and discharge piping to existing piping.



Project Profile – Fiber Optic Connection

The RWF relies on a microwave dish that communicates with City Hall as its primary data connection. Installed in June of 2012, the dish is capable of data transfer speeds of up to one gigabit per second. However, the connection is susceptible to environmental interference—including weather—which results in frequent network access interruptions. To improve the RWF data network's speed and reliability, and to provide a hard-wired connection to the City's network, the Fiber Optic Connection Project was initiated.

The Fiber Optic Connection Project installs fiber optic (FO) cable between the RWF Transmission Pump Station and the City's existing FO network near Highway 237 and Zanker Road. The project uses a combination of existing conduits and new conduits. The contractor first checks the continuity of existing conduits, then installs new conduits to provide a path for FO cable between termination locations. Next, the contractor pulls FO cable through the conduit network and terminates the FO cable at each end. Finally, the contractor performs end-to-end testing of the installed FO cable to ensure there is no damage to the cable, and that the communication link from the RWF to the City network is operational. The completed project will provide a direct, reliable, and more secure data connection between the RWF and the City network, with greater data transfer capabilities.

As of this month, the contractor has installed all conduits and verified the conduit path. The FO cable will be completely installed by the end of the first week of November. Fiber optic technicians are scheduled to splice and terminate the FO cable and perform final acceptance testing in December 2016.



Figure 3: New conduits at Hwy 237 and Zanker Rd



Figure 4: Fiber coiled in new pull box

Staff encountered a significant environmental challenge several months before the start of construction. A family of burrowing owls—a protected species—was found at the southern end of the project. Although the discovery was good news for the region's owl population, it had the potential to delay construction or add environmental cost to the project. While construction within 250 feet of the owl's burrow could have been attempted with an avoidance plan and full-time monitoring by a qualified biologist, in the end neither option was needed, as the young fledged and the parents dispersed. By the time construction was set to begin, protocol-level surveys came back clear and the project was given the green light to proceed.

Staff anticipate that the project will be completed ahead of schedule and under budget. The Beneficial Use date for the project is February 2017. The project budget is \$705,446.

Regional Wastewater Facility Treatment – Current Treatment Process Flow Diagram

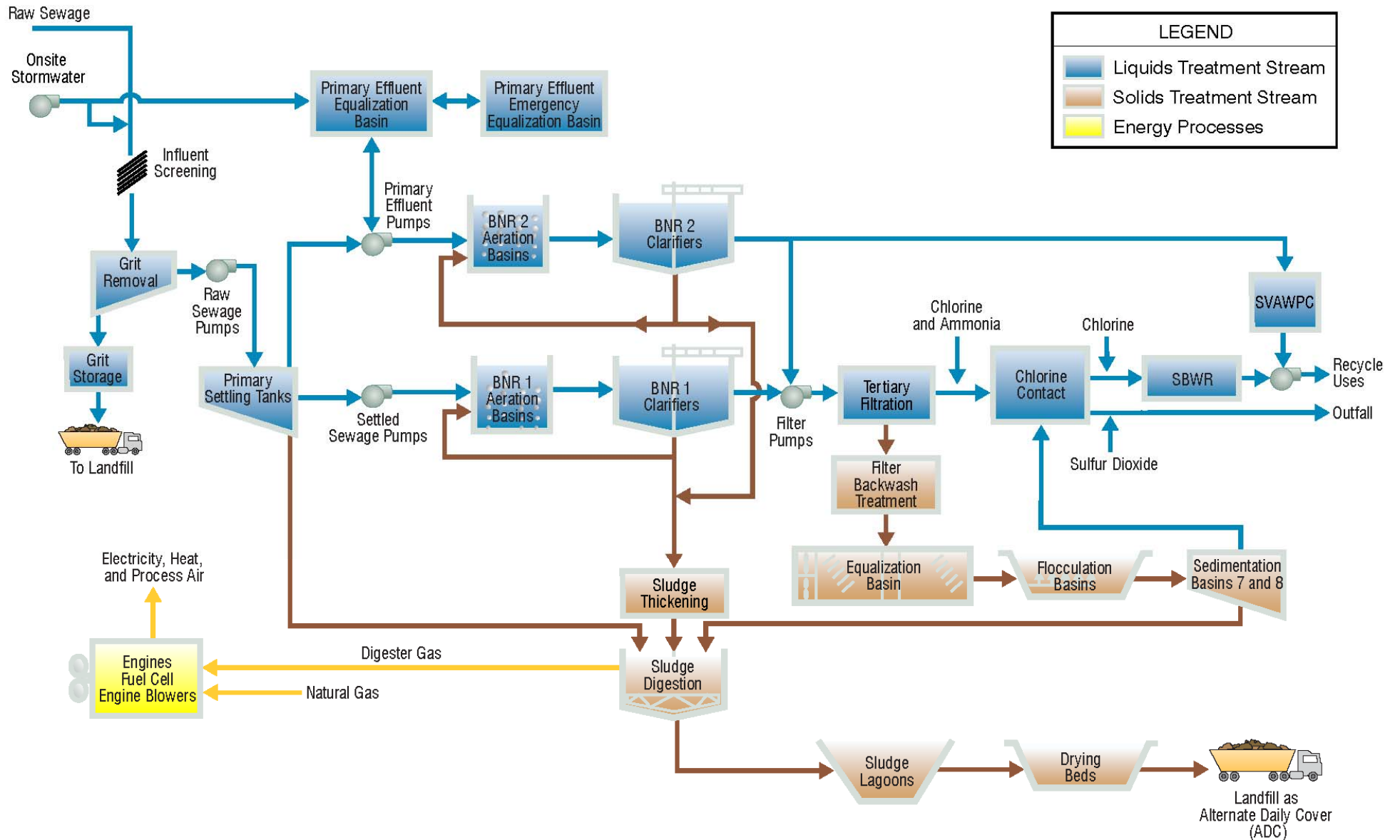


Figure 5 – Current Treatment Process Flow Diagram



Regional Wastewater Facility Treatment – Proposed Treatment Process Flow Diagram

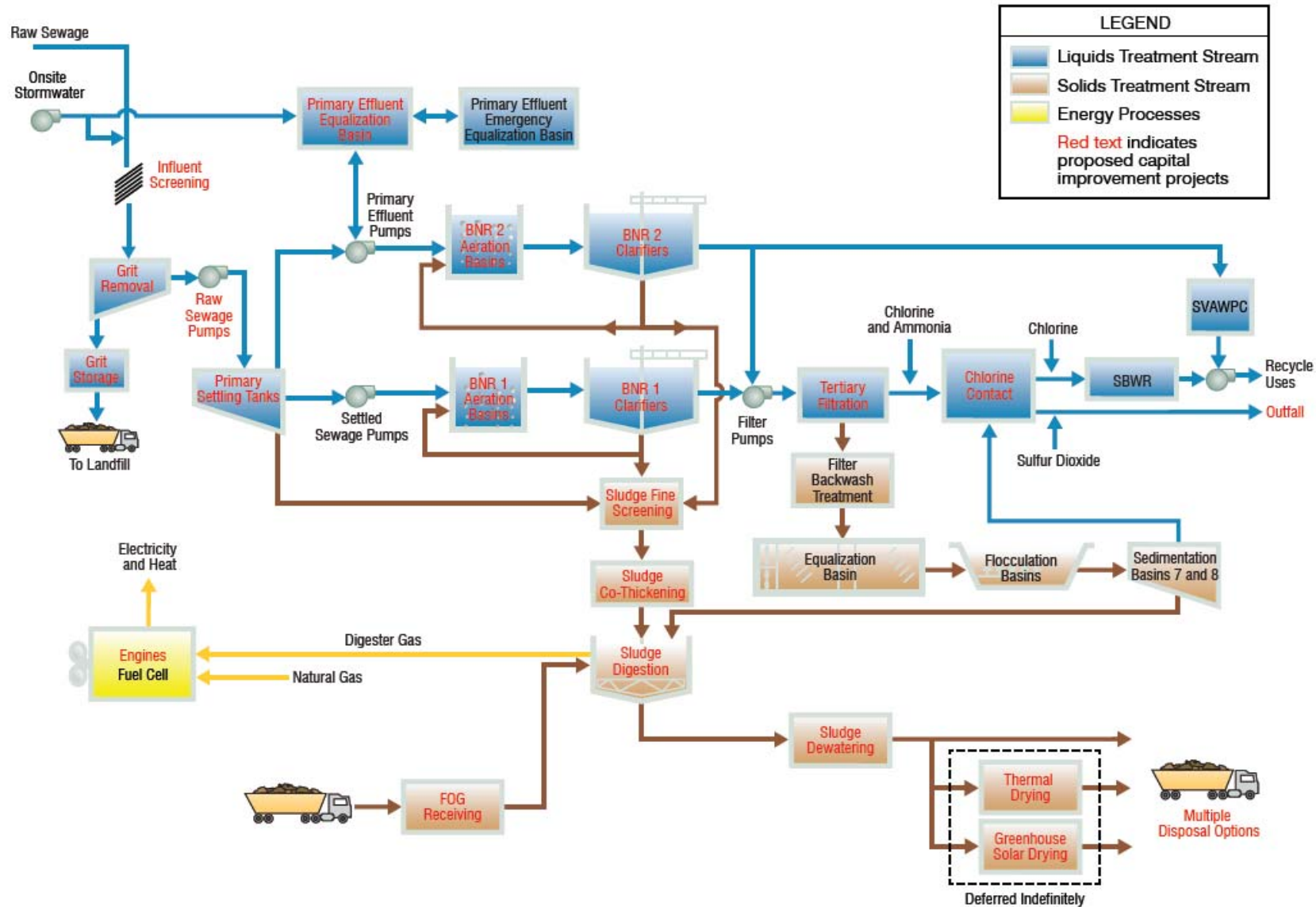


Figure 6 – Proposed Treatment Process Flow Diagram



Active Construction Projects – Aerial Plan

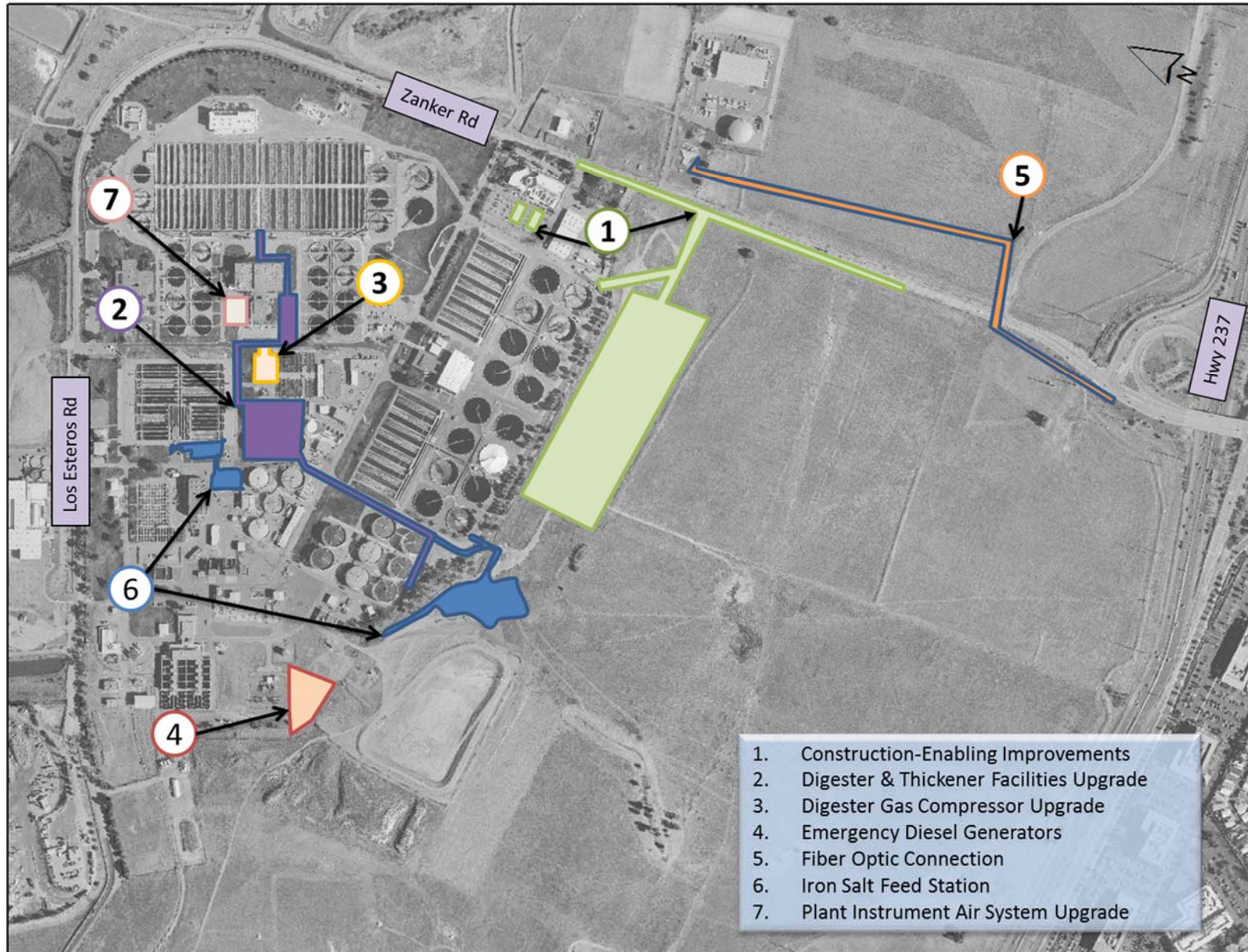


Figure 7 – Active Construction Projects





Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia Cooper

SUBJECT: SEE BELOW

DATE: November 21, 2016

Approved

D. DSyl

Date

12/1/16

**SUBJECT: BROKER, ADMINISTRATIVE, AND CLAIMS SERVICES TO
IMPLEMENT AN OWNER CONTROLLED INSURANCE PROGRAM FOR
THE SAN JOSE-SANTA CLARA REGIONAL WASTEWATER FACILITY
CAPITAL IMPROVEMENT PROGRAM**

RECOMMENDATION

Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager to:

1. Negotiate and execute an agreement with Alliant Insurance Services, Inc. to provide broker, claims, and administrative services to establish and maintain a multiline, rolling Owner Controlled Insurance Program for capital improvements at the San José-Santa Clara Regional Wastewater Facility for the term December 14, 2016 through December 13, 2021, with maximum compensation of \$900,000, subject to the appropriation of funds.
2. Exercise up to two five-year options to extend the term of the Agreement through December 13, 2031, with maximum compensation not to exceed \$245,000 annually, subject to the appropriation of funds.

OUTCOME

Approval of the Agreement would enable the City to centrally manage an Owner Controlled Insurance Program (OCIP) to cover losses or claims arising from the performance of capital improvement projects at the Regional Wastewater Facility (RWF). The OCIP should result in cost savings and enhance risk and claims management services for the capital improvement programs at the RWF.

EXECUTIVE SUMMARY

The RWF is in the process of implementing a \$1.4 billion capital improvement program over the next ten years. Capital improvement programs of this size and complexity often benefit by having a consolidated insurance program procured and managed by either the owner or prime contractor.

In April 2015, the City retained Bickmore Consultant Services, Inc. (Bickmore) to conduct a feasibility study to determine the best and most cost effective mechanism to insure for potential losses arising out of the capital improvement projects to be performed at the RWF. The feasibility study evaluated potential cost savings, which insurance program(s) offer the best insurance product for value, the ability to successfully control claims, increased safety, the flexibility to define and modify the program if the capital improvement projects should materially change, and additional resources needed to implement the selected products.

The study concluded that a multiline, rolling OCIP had the greatest probability of cost savings to the City as well as meeting the City's insurance and risk program objectives. Projected savings from implementing an OCIP over the first five years ranged from \$300,000 to \$3.0 million depending on the actual loss exposure resulting from claims.

Staff recommends contracting with a third party administrator for the procurement and administration of an OCIP for the capital improvement projects at the RWF because a centralized, owner controlled policy offers the greatest opportunity for savings and enhanced risk control and safety features for the capital improvement program.

BACKGROUND

Multiple capital improvement projects of differing values and complexity are to be performed at the RWF. The cumulative cost of these projects is expected to range from \$550.0 million to \$650.0 million in construction costs over the next five years. Currently, the projects are at various degrees of planning, design, and implementation, and involve typical exposures found with heavy civil construction. There are many products to address insurable exposures associated with these construction projects.

For projects of this size and complexity, the City analyzes if a centralized or decentralized insurance program best meets the City's objectives for product value, control of claims management, increased safety, increased flexibility, and minimal use of City resources.

An OCIP is a centrally procured and managed insurance and risk control program for a single construction project or a series of construction projects. An OCIP has the potential to secure an insurance product with higher limits and broader scope of coverage compared to traditional insurance programs where individual contractors and subcontractors maintain corporate

insurance policies oftentimes having lower limits, a narrower scope of coverage, and passing the risk of loss to the project owner.

Historically, the City has successfully used OCIPs for various large scale projects including the construction of City Hall, the Airport North Concourse, the Terminal Airport Improvements, and the Convention Center Renovation. Not all public construction projects are eligible for OCIP programs. State law requires certain criteria be met in order for the City to utilize an OCIP. The primary threshold is that the construction cost for the construction project totals at least \$50.0 million. The RWF projects meet this requirement.

Additionally, pursuant to California Govt. Code, the City must show that the use of owner-controlled insurance will minimize the expenditure of public funds on the project in conjunction with the exercise of appropriate risk management. The City undertook the necessary steps to have a feasibility study performed to determine if procurement of an OCIP would result in cost savings at the RWF.

In 2015, Bickmore, a risk management company specializing in construction risk management, was selected through a competitive request for proposal process, to analyze and recommend what insurance products would result in the greatest probability of cost savings as well as meet the City's safety and loss control objectives. The feasibility study evaluated all costs associated with implementation of the program, risk exposures, and available liability limits, claims handling costs and expenses, and the necessary costs associated with maintaining a centralized safety program.

Based on cost savings as well as meeting the City's objectives for safety and continuity of coverage, Bickmore recommended implementation of a multiline, rolling OCIP. The multiline products would include commercial general liability, excess liability, workers' compensation, and added builders' risk. Additional product features could possibly include professional liability and pollution liability depending on market availability and costs.

In 2016, the City issued a Request for Proposals (RFP) for packaged services (broker, administrative, and claims management) that was subsequently cancelled on September 20, 2016 when the City Council rejected all proposals and directed staff to re-issue the RFP.¹

¹ September 2016 City Council Synopsis: <http://www.sanjoseca.gov/DocumentCenter/View/61020>

ANALYSIS

On September 28, 2016, the Finance Department issued a RFP for professional services to implement an OCIP for the capital improvement projects at the RWF. In order to expedite the process, the RFP was issued to the four companies that submitted proposals in the previous process.

While most of the requirements in the RFP were the same as the previous RFP, there was an increased emphasis and weight in the RFP for proposers to demonstrate their ability to meet the City's timeline.

Two proposals were received from Alliant Insurance Services, Inc. (San Diego, CA) and Aon Risk Insurance Services West, Inc. (San Francisco, CA) by the October 17, 2016 deadline.

A three-person evaluation panel with representation from Public Works, Environmental Services Department and Risk Management, was formed to evaluate and score the proposals. None of the evaluation team members were involved in the previous RFP process.

The proposal evaluation process consisted of three phases as follows:

Phase 1 Proposal Responsiveness. Each proposal was reviewed to ensure that the required documents were submitted and a certification was provided by the proposer.

Phase 2: Technical and Cost. Proposals were reviewed for expertise, experience, technical approach, cost, and cost realism. The RFP stipulated that the City reserved the right to conduct final scoring based on the proposal scores, or elect to conduct oral presentations where the final recommendation would be based on the combined proposal and oral interview scores. Both proposers were invited to participate in oral presentations.

Phase 3: Oral Presentations. Presentations were reviewed for expertise, experience, technical approach, and resource allocation. Cost was assigned additional weight in this phase.

At the conclusion of the Oral Presentation phase, the evaluation team recommended award of contract to Alliant Insurance Services, Inc. (Alliant) based on their earning the highest overall score.

The table below demonstrates the final scores;

Evaluation Criteria	Max Points	Alliant	Aon
Phase 1: Proposal Responsiveness	Pass/Fail	Pass	Pass
Phase 2: Written Proposal			
Expertise of Firm	5.0	3.9	3.8
Expertise of Staff Assigned to Project	5.0	4.0	4.5
References	5.0	4.5	4.8
Brokerage Experience	5.0	4.3	3.8
Claims Experience	5.0	4.3	4.4
Administrative Experience	5.0	4.4	4.6
Ability to meet project timelines and broker approach	10.0	9.0	7.8
Claims Approach	5.0	4.7	3.8
Administrative Approach	5.0	4.6	4.0
Cost Proposal	6.0	6.0	5.0
Cost Realism	4.0	3.6	3.3
Local Business Enterprise	3.5	3.5	3.5
Small Business Enterprise	3.5	0.0	0.0
Phase 2 Subtotal	67.0	56.8	53.3
Phase 3: Oral Presentation & Cost Proposal			
Oral Interviews/Presentation	25.0	23.1	22.7
Cost Proposal	5.0	5.0	4.2
Local Business Preference	1.5	1.5	1.5
Small Business Preference	1.5	0.0	0.0
Phase 3 Subtotal	33.0	29.6	28.4
TOTAL Score	100.0	86.4	81.7

Local and Small Business Preference: In accordance with City policy, ten percent of the total evaluation points were reserved for the local and small business preference. Alliant and Aon, requested and earned the local preference.

Protest: The RFP process included a ten day protest period that commenced when the City issued the Notice of Intended Award on October 31, 2016. No protests were received.

Award Recommendation: The City recommends award of contract to Alliant to perform broker, administrator, and claims management services for a multiline, rolling OCIP for capital improvements to be performed at the RWF. Successful implementation of an OCIP has potential

cost savings even at maximum loss, and meets the City's overall program objectives. An OCIP would also serve to provide higher policy limits, broader coverage, reduced complexity in the event of litigation, and centralized safety.

Alliant is the best value service provider for this program per the evaluation criteria set forth in the RFP. It has demonstrated experience in successful OCIP implementation and administration and will help ensure the City obtains the projected savings from the central management of the risk and insurance programs.

Staff conducted reference checks with the Sacramento Regional County Sanitation District, the Sacramento County Airport System and the Los Angeles Unified School District. All references checked positive.

Summary of Proposed Agreement: Alliant will be required to assemble a submission to potential insurers that favorably represents the capital improvement projects and shows how an OCIP will be implemented and managed in order to procure quotes for OCIP coverage. Assuming that OCIP coverage is procured, Alliant shall perform pre-bid reviews, contract reviews, post-bid award meetings, and contractor/subcontractor enrollment meetings as required to administer the OCIP. Alliant shall further provide claims management services on the insurance products procured and will assist with the return to work program for employees working on site for the capital improvement projects. Alliant will also perform additional analysis to determine the economic benefit of adding an owner's pollution liability policy and professional liability coverages. The proposed Agreement with Alliant provides for extended claims management services because claims can extend ten years past the date of completion of construction or for the life of a workers' compensation claim.

Work performed under the Agreement shall be at a fixed cost to be paid on a quarterly basis and shall not exceed \$900,000 during the initial five-year term of the agreement. Up to two five-year renewal options through December 2031 would provide continuity and cap the potential cost at \$245,000 per year, subject to the annual appropriation of funds.

EVALUATION AND FOLLOW-UP

The selection and purchase of an OCIP will be presented to Treatment Plant Advisory Committee (TPAC) and the City Council. Thereafter, a progress report on the OCIP and other RWF Capital projects will be made to the Transportation and Environment Committee on a semiannual basis.

POLICY ALTERNATIVES

Alternative #1: Award Alliant broker, claims, and administrative services to procure and administer a commercial general liability and excess liability OCIP at a reduced contract rate to solely administer a commercial general liability and excess liability OCIP.

Pros: A commercial general liability and excess liability OCIP would be a single line program and would require less staff time to administer the program and to manage claims. The program costs at inception would be lower although contractors would include insurance costs for workers' compensation costs associated with the project.

Cons: Cost savings from procurement of a single line liability product is more heavily dependent on contractor compliance with contract provisions to deduct general and excess liability insurance costs through the net bid method. Smaller contractors may not be able to do so because of flat or minimum premiums. A general liability only OCIP includes the risk of potential cross suits from contractor workers' compensation carriers, although this exposure can be addressed to some extent by a requirement for waivers of subrogation from all contractor and subcontractor workers' compensation insurers.

Reason for not recommending: The savings opportunities under a single line, liability OCIP are typically less than with a multiline OCIP or not at all. The City would purchase this program for the coverage certainty benefit such as higher limits of insurance and broader coverage for contractors and subcontractors.

Alternative #2: Decline award to Alliant of the OCIP services contract and continue to evaluate insurance requirements on a by-contract basis. The prime contractor would determine the most effective method of meeting the City's contractual insurance requirements whether it be through a traditional insurance approach or a prime contractor procured Contractor Controlled Insurance Program (CCIP).

Pros: Traditional insurance requirements are placed in each general contractor's agreement with the City and each contractor decides how to meet those requirements—either by the traditional approach or a CCIP. Unlike with an OCIP, if the City elected this approach, the City would not require the use of broker, claims, and administrative services or internal resources as may be required to implement an OCIP.

Cons: Although the City would not need to expend as much staff, payment of upfront costs, and personnel time with a CCIP or traditional insurance requirements as with an OCIP, the City would lose control on negotiating policy terms. The City also would not have or would have more difficulty maintaining an owner controlled safety program. Prime contractors will likely include insurance product markups in their costings which will reduce overall cost savings from the City.

Reason for not recommending: Cost savings, improved coverage, and improved safety are the three main objectives of an insurance program. An OCIP meets those objectives while allowing the prime contractor to determine the most effective method of delivery for insurance and risk management is less likely to meet the City's financial and management objectives.

PUBLIC OUTREACH

This Memorandum will be posted on the TPAC website for the December 8, 2016 meeting and the City Council website for the December 13, 2016 meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Department of Environmental Services, the Department of Public Works, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard at the December 8, 2016 TPAC meeting. A supplemental memo with the Committee's recommendation will be included in the amended December 13, 2016 City Council meeting agenda.

FISCAL/POLICY ALIGNMENT

This Project is consistent with the City Council-approved budget strategy to focus on rehabilitating aging RWF infrastructure, improve efficiency and reduce operating costs. This project is also consistent with the budget strategy principle of focusing on protecting our vital core services.

COST SUMMARY/IMPLICATIONS

1.	AMOUNT OF RECOMMENDATION/COST OF PROJECT:	
	Services	\$795,000
	Risk Management Insurance System (RMIS)	
	Software License and Fees	30,000
	Estimated Travel Costs	15,000
	Extended Claims Management Services	60,000
	Total Cost*	<hr/> \$900,000

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Initial Broker and Marketing Fees	\$45,000
Broker Services	25,000
Claims Management Services	150,000
Administrative Services	575,000
RMIS Software Licenses and Fees	30,000
Estimated Travel Costs	15,000
Extended Claims Management Services	60,000
Total Agreement/Contract Amount	\$900,000

*Alliant shall provide services in an amount not to exceed \$900,000 subject to the appropriation of funds. The costs for the option terms are not included in the services contract and will be negotiated, subject to the appropriation of funds, and shall not exceed \$245,000 per year.

3. SOURCE OF FUNDING: - San Jose-Santa Clara Treatment Plant Capital Fund

4. FISCAL IMPACT: This contract will have no additional impact on the San Jose-Santa Clara Treatment Plant Operating Fund (513) or the General Fund.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn # / RC#	Appn Name	Current Total Appn	Amt for Contract	2016-2017 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
512	7481 / 187695	Program Management	\$9,108,000	\$208,000	V – 180	06/21/2016, Ord. No. 29762

Services performed by Alliant Insurance Services, Inc. under this agreement will be authorized by service orders. An appropriation is not required for execution of the master consultant agreement, but is required for each service order authorized under this agreement. The appropriation listed above is included in the 2016-2017 Adopted Capital Budget and may be used for service orders issued in 2016-2017. It is anticipated that \$208,000 of the initial \$900,000 maximum compensation amount will be used in 2016-2017. Future funding is subject to appropriation and, if needed, will be included in the development of future year budgets during the annual budget process.

HONORABLE MAYOR AND CITY COUNCIL

November 21, 2016

Subject: Report on RFP for OCIP Services

Page 10

CEQA

Not a Project, File NO. PP10-066(1)(a), Agreements and Contracts

/s/

JULIA H. COOPER

Director of Finance

For questions, please contact Mark Giovannetti, Deputy Director of Finance at (408) 975-7052.

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

OCTOBER 1, 2016 - NOVEMBER 30, 2016

Description of Contract Activity ¹	Fiscal Year	Req#/ RFP#	PO#	Vendor/Consultant	Original \$ Amount	Start Date	End Date	Additional \$ Amount	Total \$ Amount	Comments
UPGRADE OF ENGINE CONTROLS SYSTEM ON EG2 & EG3	16-17	21894	79023	COASTAL IGNITION & CONTROL INCC	\$408,275	2/15/2016	2/14/2017	\$27,487	\$435,762	ADDED SALES TAX
MECAHNICAL MAINTENANCE SERVICE	16-17	22358	53569	MONTEREY MECHANICAL CO	\$270,000	7/1/2016	6/30/2017			ISSUED 10/28/16
NEW 2016 F550 CHASSIS WITH 45' ALTEC AERIAL BUCKET TRUCK	16-17	23282	79468	ALTEC INDUSTRIES INC	\$420,515	6/30/2016	6/30/2017	\$4,961	\$425,476	\$213K FOR DOT; \$213K FOR ESD-513; VEH REPL
ENTERPRISE ENGINE PA RTS	16-17	23628	53609	RECIPROCATING INTELLIGENCE	\$100,000	10/13/2016	10/12/2017			
COATING REHABILITATION FOR CLARIFIERS	16-17	23672	53585	MURPHY INDUSTRIAL COATINGS INC	\$800,000	11/1/2016	10/31/2017			
CONFINED SPACE RESCUE TEAM	16-17	23676	53576	CAPSTONE FIRE MANAGEMENT INC	\$300,000	11/26/2016	11/25/2017			
EDI MEMBRANES, CORES AND CLAMPS	16-17	23680	53626	ENVIRONMENTAL DYNAMICS INC	\$141,000	12/1/2016	11/30/2017			
DCS & VFDS HARDWARE (PARTS, REPAIRS)	16-17	23681	53644	ABB INC	\$750,000	12/1/2016	11/30/2017			
CRANE UPGRADE & REPAIR SERVICES	16-17	23699	53666	GP CRANE & HOIST SERVICES	\$100,000	12/1/2016	11/30/2017			
SERVICEGRID MAINTENANCE & SUPPORT SERVICES	16-17	23717	53647	ABB INC	\$206,706	12/1/2016	11/30/2017			
CONSTRUCTION MANAGEMENT: DIGESTER & THICKENER FACILITIES UPGRADE	16-17		AC27745	KENNEDY/JENKS CONSULTANTS	\$3,662,753	10/3/2016	12/31/2019			SERVICE ORDER #2 (MASTER AGRREMENT TERM 6/21/16-6/30/24, \$8M)
ADVANCED FACILITY CONTROL	16-17		AC27587	BLACK & VEATCH	\$1,826,636	10/18/2016	3/12/2021			SERVICE ORDER #1 (MASTER AGREEMENT TERM 5/25/16-6/30/21, \$5M)
BLOWER IMPROVEMENTS	16-17		AC27753	BROWN & CALDWELL	\$3,032,494	10/27/2016	7/31/2018			SERVICE ORDER #1 (MATER AGREEMENT TERM 6/21/16-12/31/24, \$7.9M)

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