



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 09/13/05  
AGENDA ITEM 6  
WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council

**FROM:** Director of Public Works

**SUBJECT:** Water Pollution Control Facility Improvement Project Phase I: Award of Construction Contract; Appropriation of Additional Funds; Approval of Addendum; Authorization for Increases in Professional Services during Construction; and Authorization to Execute an Agreement for Geotechnical Construction Support Services

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolutions which:

1. Awards the contract for construction to Kiewit Pacific in the amount of \$48,770,000;
2. Appropriates an additional \$8,900,000 in Sewer Capital Improvement Fund to complete the project;
3. Approves Addenda Nos. 5, 6, and 7 to make changes to the plans and specifications;
4. Amends the Agreement with Brown and Caldwell for services during construction by increasing the contract amount by \$574,000;
5. Amends the Construction Management Services Agreement with Consolidated Construction Management by increasing the contract amount by \$250,000; and
6. Authorizes the City Manager to execute an agreement with Olivia Chen Consultants to perform geotechnical construction support services in an amount not to exceed \$55,000.

**DISCUSSION:**

On January 11, 2005, the City Council approved the plans and specifications and called for bids for construction of the Water Pollution Control Facility (WPCF) Improvement Project Phase I. On May 10, a single bid was submitted from Kiewit Pacific in the amount of \$53,826,000, which was considerably higher than the most recent estimate. After review and analysis of the bid and the reasons for the higher-than-anticipated amount, staff believed that cost reductions could be achieved by reducing the scope of the project where there would be resulting cost savings but little or no impact on the functionality of the project components or the capability of the plant, and by revisiting some of the higher cost items. Based on staff's recommendation, the City Council rejected the sole bid on June 21 and authorized the City Manager to procure construction of the project in the open market. Staff then embarked on a process to ensure that the procured construction cost would be as competitive as possible.

Two firms expressed interest in negotiating an agreement with the City - Kiewit Pacific and Overaa. Staff met with both companies individually and discussed ways to reduce the construction cost without compromising the functionality of the treatment processes. For example, one of the two back-up generators was eliminated from the project after determining that it could be removed without unreasonably impacting emergency requirements. After communicating the changes that would be made to the scope of the project, documented by Addendum No. 6, the City asked both firms to provide bid proposals for constructing the project, with the understanding that these proposals would determine with which firm the City would negotiate a final contract. On July 18, the estimates were submitted; Kiewit Pacific's proposal was \$49,758,000, while the proposal from Overaa was \$50,603,980. Kiewit Pacific's proposal was lower than its original bid because, in addition to the modifications made to the project, the rejection of the sole bid by the City allowed the firm to obtain additional and revised bids from subcontractors and suppliers.

Based on the lower proposal and Kiewit's reputation as a capable and well regarded firm, staff entered into negotiations to refine the costs and develop a mutually agreeable contract. Meanwhile, Kiewit Pacific had successfully bid and won two construction contracts for similar projects, one for the City of Ukiah at \$56 million and the other for the City of Petaluma at \$110 million. In both instances, the agencies had received more than one bid, and the low bid was significantly higher than the engineer's estimate. These developments further confirmed that Kiewit Pacific's proposal was competitive and reasonable. Staff concluded contract discussions with Kiewit Pacific, and with further refinements and modifications to the project, documented in Addendum No. 7, agreed on a construction contract cost of \$48,770,000.

It is staff's opinion that the negotiated price is competitive and realistic in the current construction market. In addition, Kiewit Pacific has made a serious commitment to partner with the City to ensure that change orders are minimized and that the contract is successfully completed for both parties. It is recommended, therefore, that the City Council award the construction contract to Kiewit Pacific in the amount of \$48,770,000.

The current agreement with the project designer, Brown and Caldwell, includes \$851,000 for services during construction. Since that time, it has become apparent that the contract amount will not be sufficient to provide needed engineering services throughout the duration of the project. For example, Addenda 1 through 7, once approved by Council, will need to be incorporated into the plans, so that the contractor has a complete set of plans to work from as construction begins. It is also expected that the engineering assistance needed during construction will exceed staff's earlier estimates. For instance, revisions needed to the plans to reflect the changes agreed upon in order to reduce construction costs were not anticipated. Also, there is a higher number of drawing sheets that will need to be reviewed in the field, resulting in more site visits by the consultant. Delays in construction have also contributed to the higher cost of construction services. After discussions with Brown and Caldwell representatives, staff recommends increasing the contract amount by \$574,000.

On July 8, 2003, the City Council authorized an agreement with Consolidated Construction Management (CCM) in the amount of \$1,400,000 to provide oversight of construction activities, daily inspections, responses to requests for information, and other services critical to the cost effectiveness and efficient construction of the project. The WPCF project is larger in scope and complexity than any other previous utility project, making it critical to have knowledgeable, experienced people representing the City's interests on the construction site. Two factors make

it necessary to revisit the contract amount. First, the contract was based on the consultant costs in 2003; however, since then, construction of the project has been delayed, and the firm has implemented two wage increases. Second, staff has identified the need for additional project scheduling and tracking support, as well as having some contingency for additional required inspection services, such as electrical and mechanical. Staff recommends that the City Council authorize an adjustment of \$250,000 to the Consolidated Construction Management agreement.

It will also be necessary to have geotechnical consultants available to provide specialized services during construction. The scope of services for geotechnical support would include responding to geotechnical-related requests for information and clarification from the contractor, and ensuring adherence with the specifications and intent of the geotechnical report, particularly related to pile driving. Olivia Chen Consultants was a subcontractor to Brown and Caldwell during the design phase of the project and is therefore knowledgeable about soils conditions at the site. Staff recommends entering into an agreement with Olivia Chen Consultants for this work, at a contract amount of \$55,000.

**PROJECT COSTS:**

The estimated costs for the total project, with the changes recommended above, are as follows:

Construction	\$48,770,000
Design and design services during construction	5,200,000
Geotechnical Construction Services	55,000
Construction Management Services	1,650,000
Value Engineering, design review, and prequalification	185,000
Warehouse and Gas Line Relocations	205,000
PG&E Costs	40,000
City administration, testing and surveying	<u>1,095,000</u>
Total:	<u>\$57,200,000</u>

**PROJECT FUNDING:**

The 2005-06 Capital Improvement Program includes a total of \$48,300,000 in the Sewer Capital Improvement Fund for the WPCF Phase I Improvement Project. However, for reasons described in this report, the appropriation for this project is not sufficient and an additional appropriation of \$8,900,000 is recommended.

Staff has been pursuing a Local Match loan from the State Water Resources Control Board State Revolving Fund (SRF), as this financing tool offers the most favorable terms. As of this writing, Board staff is preparing to approve the City's revised plans and specifications and has preliminarily determined that the project is eligible for financing of up to about 99 percent of the construction cost (less costs for administrative change orders), plus allowances for other related services, such as design and construction management. Board action to approve bond sales is scheduled for September 22, which will be followed immediately by administrative loan approval. Given the relative certainty of the financing, staff is requesting authorization to award the construction contract ahead of the final disposition of the loan in order to avoid further delay in starting the construction. Additional delays may be costly as prices for materials continue to rise. Council may be assured, however, that actual construction will not begin without an absolute guarantee from the State that the SRF loan has been approved.

Although final numbers are not yet available, it is staff's understanding that the loan amount will be just over \$54,000,000, with net proceeds totaling about \$45 million after the City's local match contribution. The loan will be paid back in annual equal payments of about \$2.7 million over 20 years.

Although overall project costs have increased as noted in this report, the amount available to the City through the State program has also increased. And, as previously reported to the Council, the interest rates under the State program are significantly lower than conventional financing. The following table illustrates how much of the total project cost will be covered by the SRF loan and the amount covered through existing City resources:

Total project cost	\$57,200,000
SRF loan resources	<u>45,188,600</u>
City resources	<u>\$12,011,400</u>

It will not be necessary to secure additional outside financing as the City has sufficient funds in the Sewer Capital Improvement Fund to complete this project.

**PROJECT SCHEDULE:**

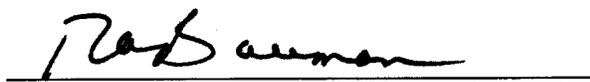
Following is an updated schedule for this project:

Award construction contact	September 13, 2005
Begin construction	October 11, 2005
Complete construction	April 30, 2008

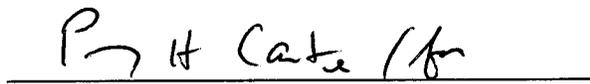
Prepared by:

  
Alex Ameri, Deputy Director of Public Works

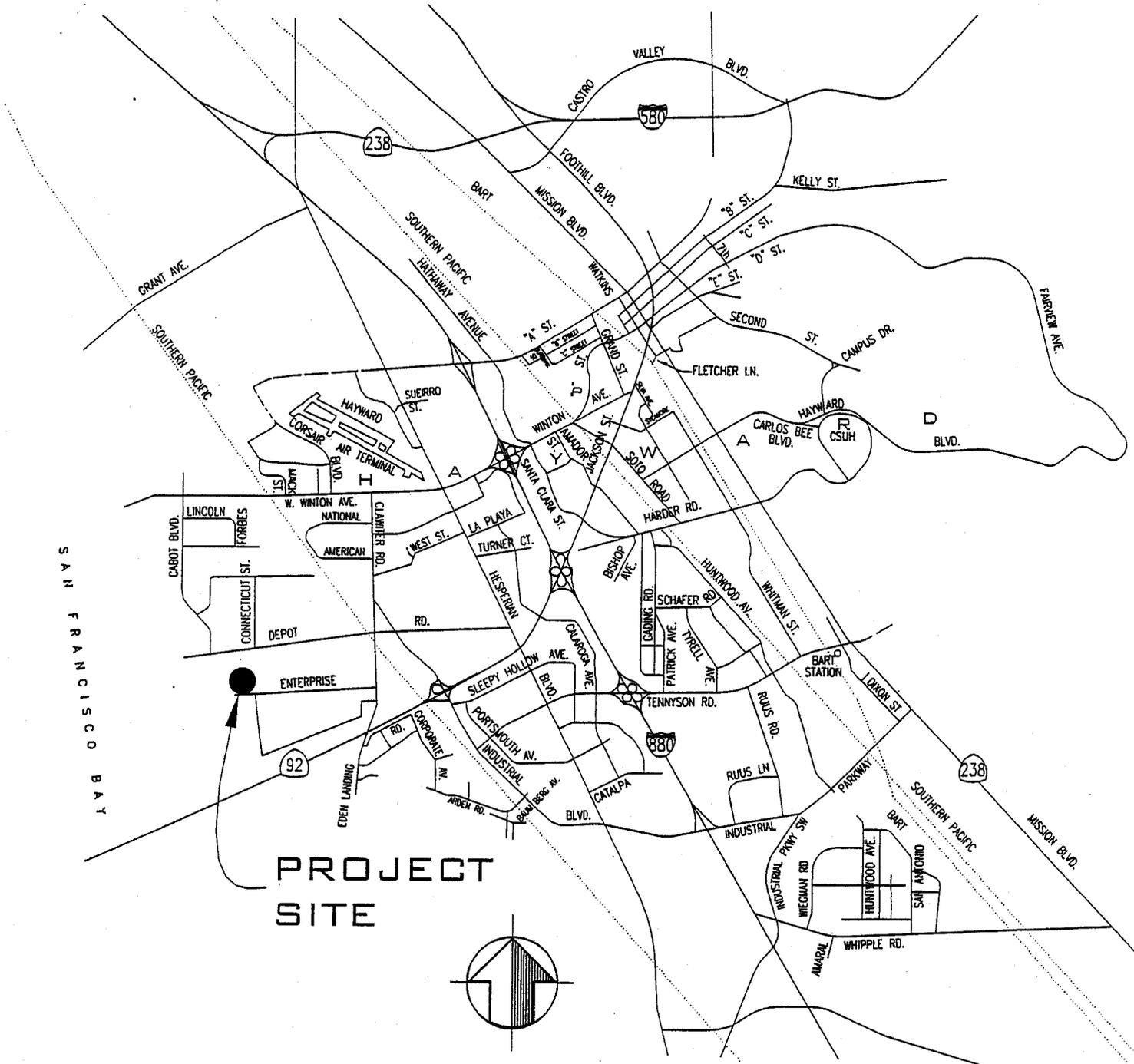
Recommended by:

  
Robert A. Bauman, Director of Public Works

Approved by:

  
Jesús Armas, City Manager

Attachment: Exhibit A – Project Location Map



PROJECT  
SITE

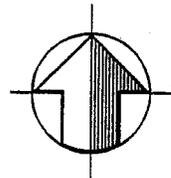


EXHIBIT A  
PROJECT LOCATION

**DRAFT** *UH* *9/8/05*

HAYWARD CITY COUNCIL

RESOLUTION NO. 05-\_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

**RESOLUTION APPROVING ADDENDA NOS. 5, 6 AND 7,  
AND AWARDING THE CONTRACT TO KIEWIT PACIFIC  
FOR THE WATER POLLUTION CONTROL FACILITY  
IMPROVEMENTS, PHASE I PROJECT, PROJECT NO. 7518**

WHEREAS, on January 11, 2005, the City Council approved the plans and specifications for the Water Pollution Control Facility Improvements, Phase I Project, Project No. 7518 and called for bids to be received on March 1, 2005; and

WHEREAS, on May 10, 2005, a single bid was received from Kiewit Pacific, which was considerably higher than the most current estimate; and

WHEREAS, on June 21, 2005, the City Council rejected the single bid and authorized the City Manager to procure construction of the project in the open market; and

WHEREAS, addendum #5 was added to make corrections and clarify the subject plans and specifications; and

WHEREAS, the City met individually with the firms of Kiewit Pacific and Overaa who had expressed interest in negotiating an agreement with the City to discuss ways to reduce costs for the project without compromising functionality of the project; and

WHEREAS, Addendum #6 was added to change the scope of the project pursuant to those discussions; and

WHEREAS, Kiewit Pacific submitted a lower proposal in the amount of \$49,758,000; and

WHEREAS, after further refinements and modifications to the project, (addendum #7) a construction contract was agreed upon in the amount of \$48,770,000.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that Addenda Nos. 5, 6, and 7 are hereby approved and adopted as part of the plans and specifications for the project.

BE IT FURTHER RESOLVED that Kiewit Pacific is hereby awarded the contract for the Water Pollution Control Facility Improvement, Phase I Project, Project No. 7518, in accordance with the plans and specifications adopted therefor and on file in the office of the City Clerk of the City of Hayward, at and for the price named and stated in the final proposal of the hereinabove specified contractor, and all other bids are hereby rejected.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized and directed to execute the contract with Kiewit Pacific in the name of and for and on behalf of the City of Hayward, in an amount not to exceed \$48,770,000, in a form to be approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:  
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward

**DRAFT** *MT 9/8/05*

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

**RESOLUTION AMENDING THE DESIGN SERVICES  
AGREEMENT FOR THE WATER POLLUTION CONTROL  
FACILITY IMPROVEMENT, PHASE I PROJECT, PROJECT  
NO. 7518**

WHEREAS, the City entered into an agreement with Brown and Caldwell in January 2002 to prepare plans, specifications, and estimates for the Water Pollution Control Facility improvements for \$3,400,000; and

WHEREAS, the agreement was increased to \$4,626,000 at the City's request in 2004 due to the complexities of the project; and

WHEREAS, due to additional engineering services that will be needed during construction, staff recommends increasing the contract amount by an additional \$574,000.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby authorizes an amendment to the agreement with Brown and Caldwell for design services by increasing the amount an additional \$574,000, for a total contract price not to exceed \$5,200,000.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:  
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

**ABSENT: COUNCIL MEMBERS:**

**ATTEST:** \_\_\_\_\_  
City Clerk of the City of Hayward

**APPROVED AS TO FORM:**

\_\_\_\_\_  
City Attorney of the City of Hayward

**DRAFT**

*PHK  
9/8/05*

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

**RESOLUTION AMENDING THE CONSTRUCTION  
MANAGEMENT SERVICES AGREEMENT FOR THE WATER  
POLLUTION CONTROL FACILITY IMPROVEMENTS,  
PHASE I PROJECT, PROJECT NO. 7518**

WHEREAS, the City entered into an agreement with Consolidated Construction Management in July 2003 to provide oversight of construction activities, daily inspections, responses to requests for information, and other services critical to the project; and

WHEREAS, because of increased costs associated with project delays, staff recommends that the contract amount be increased by \$250,000.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby authorizes an amendment to the agreement with Consolidated Construction Management for construction management services, by increasing the amount an additional \$250,000 for a total contract price not to exceed \$1,650,000.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:  
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward

**DRAFT**

NH  
8/29/05

**HAYWARD CITY COUNCIL**

**RESOLUTION NO. 05-\_\_\_\_\_**

**Introduced by Council Member \_\_\_\_\_**

**RESOLUTION AUTHORIZING THE CITY MANAGER  
TO EXECUTE A PROFESSIONAL SERVICES  
AGREEMENT BETWEEN THE CITY OF HAYWARD  
AND OLIVIA CHEN CONSULTANTS FOR  
GEOTECHNICAL CONSTRUCTION SUPPORT  
SERVICES FOR THE WATER POLLUTION CONTROL  
FACILITY IMPROVEMENTS, PHASE I PROJECT,  
PROJECT NO. 7518**

**BE IT RESOLVED** by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to execute on behalf of the City of Hayward an agreement with Olivia Chen Consultants to perform geotechnical construction support services for the Water Pollution Control Facility Improvements, Phase I Project, Project No. 7518, in an amount not to exceed \$55,000, in a form to be approved by the City Attorney.

**IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005**

**ADOPTED BY THE FOLLOWING VOTE:**

**AYES: COUNCIL MEMBERS:**

**MAYOR:**

**NOES: COUNCIL MEMBERS:**

**ABSTAIN: COUNCIL MEMBERS:**

**ABSENT: COUNCIL MEMBERS:**

**ATTEST: \_\_\_\_\_**

**City Clerk of the City of Hayward**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**City Attorney of the City of Hayward**

**DRAFT**

NH  
8/26/05

**HAYWARD CITY COUNCIL**

**RESOLUTION NO. 05-**

**Introduced by Council Member \_\_\_\_\_**

**RESOLUTION AMENDING RESOLUTION 05-80, AS AMENDED, THE BUDGET RESOLUTION FOR CAPITAL IMPROVEMENT PROJECTS FOR FISCAL YEAR 2005-06, RELATING TO AN APPROPRIATION OF FUNDS FROM THE SEWER CAPITAL IMPROVEMENT FUND (FUND 613) TO THE WATER POLLUTION CONTROL FACILITY IMPROVEMENT, PHASE I PROJECT, PROJECT NO. 7518**

**BE IT RESOLVED** by the City Council of the City of Hayward that Resolution No. 05-080, as amended, the Budget Resolution for Capital Projects for Fiscal Year 2005-06, is hereby amended by approving an additional appropriation of \$8,895,000 from the Sewer Capital Improvement Fund (Fund 613) to the Water Pollution Control Facility Improvement, Phase I Project, Project No. 7518.

**IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005**

**ADOPTED BY THE FOLLOWING VOTE:**

**AYES: COUNCIL MEMBERS:  
MAYOR:**

**NOES: COUNCIL MEMBERS:**

**ABSTAIN: COUNCIL MEMBERS:**

**ABSENT: COUNCIL MEMBERS:**

**ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**City Attorney of the City of Hayward**