TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: NOVEMBER 14, 2005

DEPARTMENT: UTILITIES

SUBJECT: APPROVAL OF A BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $354,721 AND APPROVAL OF AMENDMENT NUMBER 2 TO THE PHASE I WATER DISTRIBUTION SYSTEM IMPROVEMENTS AMENDMENT NUMBER 1 CONTRACT WITH CAROLLO ENGINEERS (CMR:164:04) FOR ADDITIONAL CONSTRUCTION SUPPORT SERVICES

RECOMMENDATION

Staff recommends that Council:

1. Approve the attached Budget Amendment Ordinance (BAO) in the amount of $354,721 transferring the funds from the Water Rate Stabilization Reserve (RSR) to the Phase I Water Distribution System Improvements Project ($244,980 to WS01010, Reservoir Booster Station Improvements; $71,916 to WS01011, Distribution System Water Quality Enhancements; $37,825 to WS01012, Booster Station Improvements).

2. Approve Amendment No. 2 for additional construction support services for the Phase I Water Distribution System Improvements Project Amendment No. 1 contract with Carollo Engineers (CMR:164:04).

BACKGROUND

On May 20, 2002, Council awarded a contract to Carollo Engineers for the Phase I Water Distribution System Improvements Project. The request for proposals for this project had been sent to six engineering consulting firms on July 25, 2001. Carollo Engineers was selected because of its professional qualifications, strength of the proposed project team, past successful experience with designing similar complex projects, familiarity with the project design and construction issues and City procedures, and experience working with the City.

On March 15, 2004, the Council approved Amendment No. 1 to Carollo Engineers’ contract for engineering services for the Phase I Water Distribution System Improvements Project (CMR:164:04). Amendment No. 1 includes construction support services. The construction
contract was awarded to Anderson Pacific Engineering Construction, Inc. on November 8, 2004 (CMR:465:04).

**DISCUSSION**
The recent loss of key staff in the Utilities Department has affected the scope and extent of the current Exhibit D Construction Support Services required by the City in its contract with Carollo Engineers. The City Utility Construction Inspection Supervisor, who was to have been the City’s primary inspector and liaison with the contractor, retired last spring. As a consequence, Carollo Engineers is serving in this capacity, which includes additional field inspection and field engineering. Utilities also has lost staff expertise in Water Gas Wastewater Operations over the past few years. Because of the loss of key WGW Operations staff, Carollo Engineers, whose original contract included an operation and maintenance manual for the new facilities, will provide additional assistance to Operations staff in operating and maintaining the new facilities. The additional assistance includes staff training, an enhanced operation and maintenance manual and an asset management system, which includes software. The asset management system will be a tool to help City staff in operating and maintaining the new facilities, including operating the upgraded booster pump stations in an efficient manner.

In addition, unforeseen delays in contractor equipment procurement have extended the construction schedule. The equipment delays are due to increased volume of construction and demand for equipment, which affects manufacturers’ ability to deliver equipment on time. These delays in procurement are outside the control of the contractor and the City. It is estimated that delayed manufacturer delivery of key electrical and mechanical equipment has extended the construction completion date by approximately 5 months to June 30, 2006. Carollo Engineers will have additional office support and overhead charges against this project due to the time extension of the project. Those costs are detailed in the table below.

The amount for construction support services currently in Amendment No. 1 is $398,627 (CMR:164:04, Exhibit D). Amendment No. 2 incremental budget item increases to the scope and duration of construction support services is $354,721 bringing the total cost for Exhibit D Construction Support Services to $753,338.
<table>
<thead>
<tr>
<th>Exhibit D Budget Item Increases</th>
<th>Amount</th>
<th>Percent increase to Original Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Additional field inspection and field engineering</td>
<td>$117,584</td>
<td>29%</td>
</tr>
<tr>
<td>2. Staff training in operation of upgraded booster pump stations</td>
<td>$22,527</td>
<td>6%</td>
</tr>
<tr>
<td>3. Enhanced operations and maintenance manual</td>
<td>$14,844</td>
<td>4%</td>
</tr>
<tr>
<td>4. Asset management system including software and system development services</td>
<td>$97,768</td>
<td>24%</td>
</tr>
<tr>
<td>5. Extension of contract time due to equipment procurement delays</td>
<td>$101,998</td>
<td>25%</td>
</tr>
<tr>
<td><strong>SUBTOTAL--additional construction support services</strong></td>
<td>$354,721</td>
<td>89%</td>
</tr>
<tr>
<td>Original Budget -- Amendment No. 1 Construction Support Services</td>
<td>$398,617</td>
<td>--</td>
</tr>
<tr>
<td><strong>AMENDED BUDGET GRAND TOTAL Construction Support Services</strong></td>
<td>$753,338</td>
<td>--</td>
</tr>
</tbody>
</table>

**RESOURCE IMPACT**
The attached BAO requests an additional appropriation of $354,721 for the Phase I Water Distribution Improvements Project, to be transferred from the Water RSR. Any year-end savings are returned to the RSR to offset the drawdown on the reserve. This BAO will not affect the existing water rates. There will be no excavations in City roads; therefore, street cut fees do not apply. Current staffing and equipment resource levels prevent City staff from constructing this project.

**POLICY IMPLICATIONS**
This BAO and approval of this contract do not represent a change to existing City policies. This recommendation is consistent with the Council-approved Utilities’ Strategic Plan, especially supporting Key Strategy No. 1: Operate distribution systems in a cost effective manner, Objective No. 1: Enhance customer satisfaction by delivery valued products and services, and Objective No. 2: Invest in utility infrastructure to deliver reliable service.

**ENVIRONMENTAL REVIEW**
The BAO does not affect the CEQA Categorical Exemption for this project. This project is categorically exempt from the provisions of the California Environmental Quality Act under Section 15301 (b), Class I Existing Facilities, and Section 15302 (c), Class 2 Equipment Replacements exemptions, and no further environmental review is necessary.
ATTACHMENTS
A:  BAO
B:  Amendment No. Two to Contract C2138257 and Revised Contract Exhibits D, K, L*, M*
    and N

* Revisions to Exhibits L and M reflect changes in scope, Exhibit D, Construction Support
  Services only. Amendment No. 2 will not change the contract EIR scope, budget or schedule.

PREPARED BY:  Jim Flanigan, Project Engineer, WGWE
               Romel Antonio, Sr. Project Engineer, WGWE
               Roger Cwiak, WGW Engineering Manager

DEPARTMENT HEAD:  ______________________________________
                   TOMM MARSHALL
                   Assistant Director of Utilities Engineering

CITY MANAGER APPROVAL:  ______________________________________
                         EMILY HARRISON
                         Assistant City Manager