



# CITY OF SAN MATEO

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## Agenda Report

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Agenda Number: 15

Section Name: {{section.name}}

Account Number: 72-4671

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**TO:** City Council

**FROM:** Alex Khojikian, City Manager

**PREPARED BY:** Public Works Department

**MEETING DATE:** July 15, 2024

**SUBJECT:**  
Wastewater Treatment Plant Upgrade Construction Services – Contingency Increase

**RECOMMENDATION:**

Approve an increase in the amount of \$14,650,000 to the City's contingency budget for its contract with Sundt Construction, Inc. for construction of the Wastewater Treatment Plant Upgrade and Expansion Project, for a revised total contingency of \$40,920,000; and authorize the Public Works Director to issue change orders within the contingency amount.

**BACKGROUND:**

The City is currently under a Regional Water Quality Control Board Cease and Desist Order requiring improvements to its sewer collection system and Wastewater Treatment Plant (WWTP) to eliminate sanitary sewer overflows and unauthorized discharges of untreated or partially treated wastewater to San Francisco Bay. The Clean Water Program (CWP) includes several capital improvement projects that are currently under construction and intended to comply with the Cease and Desist Order. The WWTP Upgrade and Expansion Project (Project) is one of these projects, which will result in a new treatment plant for processing wastewater.

Due to the size and complexity of the Project and construction demand in the Bay Area, a Construction Manager at Risk (CMAR) delivery approach was selected and approved by City Council on May 16, 2016. Sundt Construction, Inc. (Sundt) was the selected CMAR for the Project.

Construction of the Project by Sundt has been underway since May 2019. Three construction packages were awarded:

- Package 1 - Site Preparation: Work was substantially completed in July 2022.
- Package 2 - Foundation Piles: Work was substantially completed in January 2022.
- Package 3 - WWTP Process Facilities, Administration Building, and Maintenance Warehouse: In progress.

On February 5, 2024, staff presented to City Council with Project progress updates; shared unprecedented construction challenges associated COVID, supply chain issues, and inflation impacts that have caused cost increases and schedule delays; acknowledged the importance of Council's past actions of awarding Package 3 in September 2020 (prior to COVID impacts being realized), which locked in pre-impacted pricing for much of the contract scope; described design gaps and additional scope to the contract; and provided the estimated construction contract cost at the completion of the project, based on February 2024 known information. The construction estimate table, previously shown in the February 2024 presentation, is shown again below:

Package # - General Description	Award Date	Awarded Contract Amount	Council Authorized Contingency	Potential Contingency Needed in Future	Potential Cumulative Contingency	Potential Contract Amount
1 – Site Preparation	May 2019	\$33,098,178	\$1,725,000	\$0	\$1,725,000	
2 – Foundation	May 2020	\$17,716,049	\$1,645,000	\$0	\$1,645,000	
3 – Process Facilities	Sept 2020	\$379,880,746	\$22,900,000	\$14,650,000	\$37,550,000	
	<b>TOTALS</b>	<b>\$430,694,973</b>	<b>\$26,270,000</b>	<b>\$14,650,000</b>	<b>\$40,920,000</b>	<b>\$471,614,974</b>
			6.1% <sup>a</sup>		9.5% <sup>b</sup>	
<i>a – The previously authorized \$26,270,000 contingency equates to 6.1% of the total awarded contract amount.  b – The potential cumulative \$40,920,000 contingency equates to 9.5% of the total awarded contract amount.  Note: For CIP Construction Contracts, a contingency amount equal to 10% of the construction contract is typically authorized. For contracts with higher risks, contingencies of 20% have been authorized.</i>						

At the February 2024 Council meeting, staff forecasted the potential need to increase contingency by \$14,650,000, which would increase the total contingency amount to \$40,920,000; this total contingency amount issued for construction contracts is within the typical 10% of construction contract value.

As of June 2024, the previously authorized \$26,270,000 of contingency has been utilized to issue construction contract change orders, leaving a remaining contingency balance of approximately \$2,990,000. Contract change orders are issued to increase the contract value to address unknown conditions or issues beyond the original construction contract scope and understanding. For every change request submitted by the contractor, the project team thoroughly evaluates each request prior to issuing any contract change order, which results in changes being accepted, negotiated, or rejected.

As forecasted in the February 2024 Council meeting, the project team currently still forecasts the need to increase contingency by \$14,650,000. This contingency increase request accounts for potential changes identified by the project team, a recommended contingency reserve for unknown issues, and the remaining contingency balance, as shown below:

Description	Amount
Identified potential changes	\$11,740,000
Recommended contingency for unknown issues	+ \$5,900,000
SUBTOTAL CONTINGENCY required to cover identified and unknown issues	\$17,640,000
Remaining Contingency Balance	- \$2,990,000
<b>TOTAL REQUESTED CONTINGENCY INCREASE</b>	<b>\$14,650,000</b>

The current contractual Final Completion date for the Project is January 23, 2025. At the February 2024 Council meeting, staff indicated the full project closeout was anticipated for August 2025, based on information known at the time. The requested contingency increase is still based on an August 2025 project close out. However, the Contractor recently forecasted that project completion may be delayed to October 2025 on account of various issues. A major portion of this potential schedule impact is stemming from delays by the Contractor’s System Integrator subcontractor in delivering specific Process Control Narratives, Programmable Logic Controller, Site Acceptance Tests, Factory Acceptance Tests, and other related submittals that consequently have the potential to delay startup and commissioning activities of the new treatment facilities. Also, the Contractor has indicated that several of the approved contract change orders have resulted in an extensive amount of additional labor hours and procurement time required to complete the revised project scope; if any of the approved changes potentially impact the current contractual dates, the Contractor will formally submit these in a Time Impact Analysis notice.

In accordance with contract specifications, the project team has proactively requested Sundt provide a recovery schedule to attempt to meet the previously anticipated August 2025 project close out timeframe. Additional budget may be needed to successfully complete the Project should the schedule delays materialize. Staff will continue to closely monitor costs and potential changes, evaluate and challenge the Contractor’s anticipated schedules and change requests, and work to

manage the overall cost impact within the approved contingency budget.

**BUDGET IMPACT:**

Sufficient funds are available in the WWTP & Flow Management Upgrade & Expansion Project (46t003) to increase the owner contingency reserve budget.

**ENVIRONMENTAL DETERMINATION:**

The City prepared a Final Programmatic Environmental Impact Report (Final PEIR) in accordance with the California Environmental Quality Act (CEQA) (SCH No. 2015032006). Council on June 6, 2016, certified the PEIR. In accordance with CEQA, the Final PEIR serves as the primary environmental compliance document for the implementation of the Clean Water Program. The City prepared Addenda to the Final PEIR that was approved on July 16, 2018 (Addendum 1) and April 15, 2019 (Addendum 2). This work is within the scope of the Project evaluated in the PEIR and Addendum.

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

None

**STAFF CONTACT**

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