



CITY OF SAN MATEO

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330 W. 20th Avenue
San Mateo CA 94403
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Agenda Report

Agenda Number: 14

Section Name: {{section.name}}

Account Number: 72-4671

File ID: {{item.tracking_number}}

TO: City Council
FROM: Christina Horrisberger, Interim City Manager
PREPARED BY: Public Works Department
MEETING DATE: July 17, 2023

SUBJECT:
Wastewater Treatment Plant Upgrade Construction Services – Contingency Increase

RECOMMENDATION:

Approve a \$9,000,000 increase 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 total available budget amount of \$456,964,973; 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. Under a CMAR approach, the contractor agrees to deliver a project for a Guaranteed Maximum Price. For the Project, the CMAR approach facilitated relationships between all involved parties, secured a qualified contractor, and provided greater cost certainty.

Construction of the Project by Sundt has been underway since May 2019 and is anticipated to be complete in January 2025. Three construction packages were awarded:

- Package 1 - Site preparation: Completed in July 2022.
- Package 2 - Foundation piles: Completed in January 2022.
- Package 3 - WWTP process facilities, Administration Building, and Maintenance Warehouse: In progress.

The total awarded CMAR contract value for Packages 1, 2, and 3 and owner's contingency budget is summarized in Table 1. A total owner contingency amount of \$17,270,000 has been approved to cover potential unknown issues such as underground utilities, design modifications, environmental compliance, extreme storm events, design errors and omissions, and owner-directed scope changes. This amounts to 4% of the total contract value.

Table 1. Total CMAR Construction Budget Approved by City Council

	CMAR Contract Value	Owner Contingency	Total Construction Budget
Package 1 (Original Agreement)	\$33,098,178	\$1,725,000	\$34,823,178
Package 2 (Amendment No.1)	\$17,716,049	\$1,645,000	\$19,361,049
Package 3 (Amendment No.2)	\$379,880,746	\$13,900,000	\$393,780,746
Total	\$430,694,973	\$17,270,000	\$447,964,973

Table 2 provides a summary of the current contract value for each package reflecting contract change orders to date and the associated remaining contingency amount. Even though the CMAR approach includes a Guaranteed Maximum Price for delivering the project, there are change events that occur due to unknown conditions or issues beyond the original project scope and understanding. On the ongoing Package 3 construction, the cost of change events has averaged approximately 7% of cumulative construction costs over the past year. Currently, the estimated total cost of known potential changes is approximately \$11 million. Based on the remaining owner contingency of \$3.9 million, there is a budget deficit of approximately \$7 million based on the average historic change order percentage. This \$7 million shortfall does not account for any potential unknown issues over the remaining construction period.

Based on the project team's evaluation, an additional contingency reserve of \$2 million for unknown issues is recommended, for a total increased contingency budget of \$9 million (\$7 million for known potential changes and \$2 million for unknown issues) through project completion. This would increase the total construction budget from \$448 million to approximately \$457 million for the entire Project. The revised total contingency amount of \$26,270,000 is 6% of the base CMAR contract value, and while higher than the original budget of 4%, it is within the typical industry norms for similar type and size of projects and less than typical City construction project contingencies of 10% of contract values.

Table 2. Revised Total CMAR Construction Budget with Increased Owner Contingency

	Revised CMAR Contract Value ^a	Remaining Owner Contingency	Total Construction Budget	Projected Additional Owner Contingency	Revised Total Construction Budget
Package 1	\$31,630,697	\$0	\$31,630,697 ^b	\$0	\$31,630,697
Package 2	\$17,206,534	\$0	\$17,206,534 ^b	\$0	\$17,206,534
Package 3	\$395,185,878	\$3,941,864	\$399,127,742	\$9,000,000	\$408,127,742
Total	\$444,023,109	\$3,941,864	\$447,964,973	\$9,000,000	\$456,964,973

Notes:

- a) Revised CMAR Contract Value is based on approved Contract Change Orders to date.
- b) Total construction budget shown for Packages 1 and 2 are actual costs at completion.

Staff recommends approval to increase the contingency budget by \$9,000,000 to deliver the remaining scope on Package 3 of the Project. Staff will continue negotiating potential change orders to minimize use of owner contingency funds.

BUDGET IMPACT:

Sufficient funds are available in Project No. 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

Matt Fabry, Deputy Director
mfabry@cityofsanmateo.org
(650) 522-7309

Azalea Mitch, Director of Public Works
amitch@cityofsanmateo.org
(650) 522-7303