



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Barry Ng
Kerrie Romanow

SUBJECT: SEE BELOW

DATE: January 3, 2018

Approved

Date

1/5/18

SUBJECT: FIRST AMENDMENT TO THE MASTER AGREEMENT WITH SIGNET TESTING LABORATORIES, INC. FOR SPECIAL INSPECTION AND MATERIALS TESTING SERVICES FOR THE SAN JOSE -SANTA CLARA REGIONAL WASTEWATER FACILITY CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION

Approve the First Amendment to the Master Agreement with Signet Testing Laboratories, Inc., for special inspection and materials testing services for various capital improvement projects at the San José-Santa Clara Regional Wastewater Facility to increase the amount of compensation by \$200,000, for a total agreement amount not to exceed \$700,000.

OUTCOME

Approval of the recommendation provides additional funding for continued on-call special inspection and materials testing services from Signet Testing Laboratories, Inc. (STL) for the Digester and Thickener Facilities Upgrade project (Project) through summer 2018. These services are needed to ensure Project construction is performed in accordance with special inspection and testing requirements of the San José Municipal Code and the California Building Code.

BACKGROUND

On October 22, 2014, the City entered into two master agreements, with Construction Testing Service, Inc. (CTS) and STL, to provide special inspection and testing services for various capital improvement projects at the San José-Santa Clara Regional Wastewater Facility¹ (RWF), with not-to-exceed amounts of \$500,000 each, and a term through December 31, 2019.

¹ The legal, official name of the facility remains San Jose/Santa Clara Water Pollution Control Plant, but beginning in early 2013, the facility was approved to use a new common name, the San José-Santa Clara Regional Wastewater Facility.

The two master agreements are used on a rotating basis. To date, CTS has been issued five service orders, totaling \$271,413, to provide a variety of special inspection and testing services on the following projects:

1. Digester Gas Compressors Upgrades
2. Process Water Pumps Replacement
3. Plant Instrument Air System Upgrade
4. Headworks Critical Improvements
5. Nitrification Clarifier Lighting

Staff is currently negotiating a service order with CTS to provide special inspection and testing services for the upcoming Cogeneration Facility design-build project that is expected to use the remaining balance of the agreement.

Five service orders have also been issued under the STL master agreement to provide support for the following projects:

1. Digester Gas Storage Replacement
2. Emergency Diesel Generators
3. Iron Salts Feed Station
4. Digester and Thickener Facilities Upgrade (Concrete and reinforcement)
5. Digester and Thickener Facilities Upgrade (Masonry, soils, costings, steel, etc.)

Of the \$499,589 authorized to date, \$374,000 has been issued, under two service orders (Items 4 and 5 above), to provide special inspection and testing services for the Project. Specific services authorized under these service orders include submittal reviews; inspection and testing of structural steel, welding, pre-stressing tendons, reinforced concrete, shotcrete, epoxy anchor bolting, structural masonry, soils, foundation elements, fire-resistant materials, exterior insulation and finish systems, coatings; and provision of confined space entry and rescue.

ANALYSIS

Special Inspection services typically cost between one-half and one percent of the value of a construction project. This is highly variable depending on the nature of the work, and the contractor's sequence of construction. Since construction for the Project commenced in July 2017, the rate at which special inspection services have been required has been significantly higher than originally estimated. This has been due to a large number of unforeseen conditions and underground utility conflicts, which have caused numerous additional inspections and testing for soils compaction, anchors, cast-in-place concrete and concrete reinforcing.

Significant additional scope has been added to the Project to respond to changed field conditions, hazardous materials mitigation, seismic design changes and deteriorated pipe repairs. This in turn has increased the amount of special inspection and testing services that will be required to support the remainder of the Project. Staff anticipates that the current service order and master

agreement funding will be exhausted by spring 2018. Increasing the total maximum compensation on the STL agreement from \$500,000 to \$700,000 will allow staff to issue additional service orders for STL to continue providing special inspection and materials testing services for the Project through summer 2018. This will allow the City to maintain continuity on the Project until new master consultant agreements are in place to complete the special inspection and materials testing services required for this Project and for future Capital Improvement Program (CIP) projects. The recommended fee increase is in sole support of the Project and no new service orders for other projects will be issued under this amended agreement.

EVALUATION AND FOLLOW-UP

The required service order amendment for the Project, issued under this amended master agreement, will be reported to the Treatment Plant Advisory Committee (TPAC) on the monthly summary of procurement and contract activity.

The City is currently advertising for new master agreements for special inspection and testing services. These agreements will be brought to City Council for approval in the second quarter of 2018.

POLICY ALTERNATIVES

Alternative 1: Direct City staff to provide the required services for the Project from the other special inspection consultant under contract with the City, Construction Testing Services, Inc. (CTS).

Pros: CTS has the technical expertise and industry certifications for the services required.

Cons: Available funding under the agreement with CTS is limited and the City is currently negotiating with the consultant to use the balance of the agreement for services on other projects, including the Cogeneration Facility project.

Reason for not recommending: Using the balance of the CTS agreement to perform inspections for the Project could delay construction on the Cogeneration Facility and other RWF CIP projects.

Alternative 2: Direct City staff to provide the required services with in-house resources from the Department of Public Works (DPW).

Pros: Increased work options for City staff.

Cons: In-house DPW staff does not possess the capacity, technical expertise, or industry certifications needed for the anticipated projects, which could lead to possible construction delays or ineffective, incomplete inspections.

Reason for not recommending: The City would need to hire several new staff members with knowledge and expertise in a variety of inspection and materials testing disciplines. This would add time and cost to the project, and would likely result in releasing newly hired staff at the completion of the project.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the January 23, 2018 City Council agenda.

COORDINATION

This agreement and memorandum have been coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard at the January 11, 2018 TPAC meeting. A supplemental memo with the committee's recommendation will be included in an amended January 23, 2018 City Council meeting agenda.

FISCAL/POLICY ALIGNMENT

This amended master agreement is consistent with the City Council-approved Budget Strategy to focus on rehabilitating aging Plant infrastructure, improve efficiency, and reduce operating costs. This amended master agreement is also consistent with the budget strategy principle of focusing on protecting our vital core services.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: **\$200,000**

Current Master Agreement	\$500,000
First Amendment	\$200,000
 TOTAL AGREEMENT AMOUNT	 \$700,000
2. COST ELEMENTS OF MASTER AGREEMENT: The consultant's services are reimbursed on an hourly rate schedule in the master agreement for the involved consultant personnel.
3. SOURCE OF FUNDING: 512 - San José-Santa Clara Treatment Plant Capital Fund.
4. FISCAL IMPACT: This agreement is funded through the San José-Santa Clara Treatment Plant Capital Fund (Fund 512) and will have no impact on the San José-Santa Clara Treatment Plant Operating Fund (Fund 513).

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5. **PROJECT COST ALLOCATION:** In accordance with the recommendations set forth in the 2015-2016 Budget Adjustments for the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program memorandum, as approved by the City Council on March 22, 2016, the cost for this project will be allocated 40 percent to biochemical oxygen demand and 60 percent to total suspended solids.

BUDGET REFERENCE

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

Fund #	Appn #	Appn Name	Current Total Appn	Amount for Contract	2017-2018 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
512	4127	Digester and Thickener Facilities Upgrade	\$1,861,000	\$200,000	282	06/20/2017 Ord. No. 29962

Funding for service orders is available in the 2017-2018 Adopted Water Pollution Control Plant Capital Budget. Costs to be incurred in future fiscal years are subject to appropriation and, if needed, will be included in the development of future year budgets during the annual budget process.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/ Jon Cicirelli for
BARRY NG
Director, Public Works

/s/ Ashwini Kantak for
KERRIE ROMANOW
Director, Environmental Services

For questions please contact John Cannon, Principal Engineer at (408) 635-4006.