



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jeffrey Provenzano

SUBJECT: See Below

DATE: March 18, 2026

Approved

Date:

3/19/26

COUNCIL DISTRICT: 3

SUBJECT: Construction Contract Contingency Increase for the 10106 – South Bay Water Recycling Pump Station 5 Bypass Project Rebid

RECOMMENDATION

Approve a \$24,200 increase to the construction contingency amount of \$18,000 for a revised total contingency amount of \$42,200 for the 10106 – South Bay Water Recycling Pump Station 5 Bypass Project Rebid.

SUMMARY AND OUTCOME

Approval of the recommended construction contract contingency increase will provide the necessary funding to address unforeseen site conditions and design changes encountered during construction of the 10106 – South Bay Water Recycling Pump Station 5 Bypass Project Rebid (Project). This increase will ensure the successful completion of the Project by summer 2026.

BACKGROUND

On January 26, 2023, the Director of Environmental Services Department awarded a construction contract for the Project to the low bidder, Central Pacific Engineering, LLC (Contractor) for \$180,000 and approved a 10% contingency of \$18,000. The project scope of work included replacing the existing 36-inch check valve assembly with a 36-inch butterfly valve assembly equipped with an electric actuator to enhance operational flexibility and improve the reliability of the recycled water distribution system.

The City issued the Notice to Proceed for construction on October 24, 2025, with an original contract duration of five working days. The extended period between contract award and issuance of the Notice to Proceed was primarily due to the long lead time required to procure a large-diameter valve, which is an uncommon size within the industry. In addition, due to the nature of the work and to minimize customer impact with a partial recycled water system shutdown, the construction window was limited and could only occur during the winter season when recycled water demand is lowest.

To date, the City has approved two change orders totaling \$3,750. The first change order, in the amount of \$3,750, was issued for additional site evaluation of existing conditions. The second change order addressed the Contractor's name change and included a contract time extension at no additional cost to the City.

Due to the relatively small overall construction budget, the project was allocated a lower-than-average contingency. The first change order utilized approximately 21% of the approved contingency amount of \$18,000.

A third change order, totaling \$38,350.78, has been negotiated with the Contractor but has not yet been approved. This change order will address unforeseen site conditions, including additional labor and materials required to mitigate pipe corrosion and to install additional hardware to improve pipe connection integrity. These corrective measures are critical to ensuring a secure and durable installation, reducing the risk of leaks, structural failure, and unplanned service disruptions.

In total, change orders in the amount of \$42,200 are proposed to complete the Project.

ANALYSIS

The table below provides a breakdown of the additional cost incurred by the Project to date. The approved change order in the amount of \$3,750 was deemed necessary to confirm valve installation configuration and compatibility with existing connections. The pending change order totaling \$38,350.78 arose from additional material and labor required for the proper installation of the new valve, based on findings from the site evaluation of the existing conditions. In total, the Project incurred \$42,100.78 in additional costs. With an approved contingency of \$18,000, there is an outstanding contingency balance of (\$24,100.78).

Reason for Change Orders	Approved Change Orders	Pending Change Orders	Totals
Unforeseen site condition and additional labor and material		\$ 38,350.78	\$ 38,350.78
Site evaluation of the existing conditions	\$ 3,750.00		\$ 3,750.00
Total	\$ 3,750.00	\$ 38,350.78	\$ 42,100.78
Approved Contingency			\$ 18,000.00
Contingency Balance			(\$ 24,100.78)

EVALUATION AND FOLLOW-UP

No additional follow-up actions with the City Council is expected at this time.

FISCAL IMPACTS

There are no cost implications to the General Fund as a result of this action. The source of funding is 570 – South Bay Water Recycling Operating Fund.

1. TOTAL COST OF PROJECT

Project Delivery*	\$25,000
Construction	\$180,000
Contingency	\$18,000
Proposed Contingency Increase	\$24,200
TOTAL PROJECT COSTS	\$247,200
Prior Years' Expenditures & Encumbrances through June 30, 2025	\$15,000
Partial Payments through June 2, 2026	\$162,450
TOTAL REMAINING PROJECT COSTS	\$69,750

*Project delivery includes \$10,000 for design services and bidding and \$15,000 for construction management and inspection services.

2. COST ELEMENTS OF CONTRACT AS RECOMMENDED AS PART OF THE MEMORANDUM:

Lump Sum	\$180,000
TOTAL CONTRACT AMOUNT	\$180,000

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the contract recommended as part of this memorandum and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2025-2026 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
570	0762	Non-Personal / Equipment	\$10,118,090	\$180,000	1,041	10/21/2025 31252

COORDINATION

This memorandum was coordinated with the City Attorney’s Office, the City Manager’s Budget Office, and the Planning, Building, and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 14, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

This item is scheduled to be heard at the April 9, 2026 Treatment Plant Advisory Committee meeting. A supplemental memorandum with the Committee’s recommendation will be included in the amended City Council meeting agenda.

CEQA

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

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

JEFFREY PROVENZANO, P.E.
Director, Environmental Services
Department

For questions, please contact Darwin Lasat, Senior Environmental Program Manager, Environmental Services Department, at Darwin.Lasat@sanjoseca.gov or (408) 277-3671.