

## SAN JOSÉ/SANTA CLARA TREATMENT PLANT ADVISORY COMMITTEE

JAMIE MATTHEWS, CHAIR  
SAM LICCARDO, VICE CHAIR  
PIERLUIGI OLIVERIO, MEMBER  
DAVID SYKES, MEMBER  
MANH NGUYEN, MEMBER

PAT KOLSTAD, MEMBER  
JOSE ESTEVES, MEMBER  
STEVEN LEONARDIS, MEMBER  
JOHN GATTO, MEMBER

### SPECIAL MEETING AGENDA/TPAC

4:30 p.m.

January 14, 2016

Room 1734

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1. **ROLL CALL**

2. **APPROVAL OF MINUTES**

A. December 10, 2015

3. **UNFINISHED BUSINESS/REQUEST FOR DEFERRALS**

4. **DIRECTOR'S REPORT**

A. Directors Report (verbal)  
• Monthly Progress Report

5. **AGREEMENTS/ACTION ITEMS**

A. **Report on Bids and Award of Contract for 6717—Iron Salt Feed Station Project at the San José- Santa Clara Regional Wastewater Facility**

Staff Recommendations:

- (a) Report on bids and award of construction contract for 6717- Iron Salt Feed Station Project to the lowest bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$5,205,000 and approve a 15 percent construction contingency in the amount of \$780,750;
- (b) Adopt a resolution authorizing the Director of Public Works to execute one or more change orders in excess of \$100,000 for the remaining duration of the Project, not to exceed the total contingency amount approved for the Project;
- (c) Adopt the following 2015-2016 Appropriation Ordinance Amendments in the San José-Santa Clara Treatment Plant Capital Fund:
  - (1) Decrease the East Primary Rehabilitation, Seismic Retrofit, and Odor Control appropriation to the Environmental Services Department in the amount of \$1,500,000;
  - (2) Decrease the Tunnel Rehabilitation appropriation to the Environmental Services Department in the amount of \$300,000; and

- (3) Increase the Iron Salt Feed Station appropriation to the Environmental Services Department in the amount of \$1,800,000.

**This item is scheduled for consideration by the City Council on January 26, 2016.**

B. Mid-Year Budget Review Strategy for Master Agreement Amendments

Staff Recommendation: Accept the proposed 2015-2016 Mid-Year Budget Review strategy to provide staffing and funding to support amendments to the Master Agreement for Wastewater Treatment between City of San José, City of Santa Clara, and Tributary Agencies.

6. **OTHER BUSINESS/CORRESPONDENCE**

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

A. San José- Santa Clara Regional Wastewater Facility Ten-Year Funding Strategy Report Update

Staff Recommendation: Accept the status report on the Ten-Year Funding Strategy for the San José- Santa Clara Regional Wastewater Facility Capital Improvement Program, and approve staff's recommendation of projects for which to seek State Revolving Fund loans.

**The item is scheduled for consideration by the City Council on January 12, 2016.**

B. Master Consultant Agreement with Kennedy/Jenks Consultants, Inc. for Engineering Services for “#7448- Filter Rehabilitation Project” at the San José-Santa Clara Regional Wastewater Facility

Staff Recommendation: Approve a master consultant agreement with Kennedy/Jenks Consultants, Inc., to provide engineering Services for the “#7448- Filter Rehabilitation Project” at the San José-Santa Clara Regional Wastewater Facility from the date of execution through June 30, 2023, in a total amount not to exceed \$4,950,000 subject to appropriation of funds.

**The proposed recommendation was approved by Council on December 15, 2015.**

8. **REPORTS**

A. Open Purchase Orders Greater Than \$100,000 (including Service Orders)

The attached monthly Procurement and Contract Activity Report summarizes the purchase and contracting of goods with an estimated value between \$100,000 and \$1.08 million and of services between \$100,000 and \$270,000.

**9. MISCELLANEOUS**

A. The next TPAC meeting is February 11, 2016, at 4:30 p.m. City Hall, Room 1734.

**10. OPEN FORUM**

**11. ADJOURNMENT**

NOTE: If you have any changes or questions, please contact Melrose Cacal, Environmental Services (408) 975-2547.

To request an accommodation or alternative format for City-sponsored meetings, events or printed materials, please contact Melrose Cacal (408) 975-2547 or (408) 294-9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

**Availability of Public Records.** All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at San Jose City Hall, 200 East Santa Clara Street, 10<sup>th</sup> Floor, Environmental Services at the same time that the public records are distributed or made available to the legislative body.

**MINUTES OF THE  
SAN JOSÉ/SANTA CLARA  
TREATMENT PLANT ADVISORY COMMITTEE**  
City Hall, Council Chambers  
Thursday, December 10, 2015 at 4:30 p.m.

**1. ROLL CALL**

Minutes of the Treatment Plant Advisory Committee convened this date at 4:38 p.m. Roll call was taken with the following members in attendance:

**Committee Members:** Jose Esteves, John Gatto, Pat Kolstad, Steven Leonardis, Jamie Matthews, Manh Nguyen, Pierluigi Oliverio, Dave Sykes, Sam Liccardo

**2. APPROVAL OF MINUTES**

A. November 19, 2015

**Item 2.A was approved to note and file.**

**Ayes – 9** (Esteves, Gatto, Kolstad, Liccardo, Leonardis, Matthews, Nguyen, Oliverio, Sykes)

**Nays – 0**

**Absent – 1** (Liccardo)

**3. UNFINISHED BUSINESS/REQUEST FOR DEFERRALS**

**4. DIRECTORS REPORT**

A. Directors Report (verbal)  
Monthly progress report

There were no items to report.

**5. AGREEMENTS/ACTION ITEMS**

A. San José- Santa Clara Regional Wastewater Facility Ten-Year Funding Strategy Report Update

Staff Recommendation: Accept the status report on the Ten-Year Funding Strategy for the San José-Santa Clara Regional Wastewater Facility Capital Improvement Program, and approve staff's recommendation of projects for which to seek State Revolving Fund loans.

**This item is scheduled for consideration by the City Council on January 12, 2016.**

**On a motion by Committee Member Leonardis and a second by Committee Member Oliverio, TPAC recommended approval of the following:**

1. To accept the status report on the Ten-Year Funding Strategy for the San José-Santa Clara Regional Wastewater Facility Capital Improvement Project

**Ayes – 6** (Kolstad, Liccardo, Matthews, Nguyen, Oliverio, Sykes)

**Nayes – 3** (Esteves, Gatto, Leonardis)

**Absent – 0**

2. To approve staff's recommendation of projects for which to seek State Revolving Fund loan

**Ayes – 7** (Esteves, Kolstad, Liccardo, Matthews, Oliverio, Nguyen, Sykes)

**Nayes – 2** (Gatto, Leonardis)

**Absent – 0**

- B. Master Consultant Agreement with Kennedy-Jenks Consultants, Inc. for Engineering Services for “#7448- Filter Rehabilitation Project” at the San Jose-Santa Clara Regional Wastewater Facility

Staff Recommendation: Approve a master consultant agreement with Kennedy/Jenks Consultants, Inc. to provide engineering services for the “#7448- Filter Rehabilitation Project” at San José- Santa Clara Regional Wastewater Facility from the date of execution through June 30, 2023 in a total amount not to exceed \$4,950,000, subject to appropriation of funds.

**This item is scheduled for consideration by the City Council on December 15, 2015.**

**On a motion by Committee Member Kolstad and a second by Committee Member Oliverio, TPAC recommended approval of the Staff Recommendation for Item 5.B.**

**Ayes – 8** (Esteves, Gatto, Kolstad, Leonardis, Matthews, Nguyen, Oliverio, Sykes)

**Nayes – 0**

**Absent – 1** (Liccardo)

## **6. OTHER BUSINESS/CORRESPONDENCE**

- A. The 2015 Annual Report on Plant Operational Reserve Capacity for all Agencies.

**TPAC accepted the 2015 Annual Report on Plant Operational Reserve Capacity for all Agencies.**

**Ayes – 8** (Esteves, Gatto, Kolstad, Leonardis, Matthews, Nguyen, Oliverio, Sykes)

**Nayes – 0**

**Absent – 1** (Liccardo)

7. **STATUS OF ITEMS PREVIOUSLY RECOMMENDED FOR APPROVAL BY TPAC**

A. San José- Santa Clara Regional Wastewater Facility Master Agreements Amendments

Staff Recommendations:

- (a) General discussion of interests and concerns related to the proposed amendments to the Master Agreement for the San José-Santa Clara Regional Wastewater Facility; and
- (b) Direct staff to return with the draft Amendment and Restatement of the Master Agreements to include amendments that would be necessary to secure State Revolving Fund loans and short term financing for the Tributary Agencies' obligation for the capital projects in FY 15-16; and
- (c) Direct staff to coordinate with the City of Santa Clara to evaluate the scope of the proposed amendments, and return to the City Council with recommendations on whether to proceed with negotiations, and a process and budget to negotiate the amendments as part of the 2015-2016 mid-year budget process.

**The proposed recommendations were approved by Council on December 1, 2015.**

C. Approval of Final Proposer Ranking and Authorization to Negotiate the Design-Build Contract for the Cogeneration Facility Project at the San José- Santa Clara Regional Wastewater Facility

Staff Recommendation:

Adopt a resolution:

- (a) Approving the final proposer ranking for design-build firms for the Cogeneration Facility at the San José – Santa Clara Regional Wastewater Facility.
- (b) Authorizing the City Manager to negotiate the design-build contract for the Cogeneration Facility Project with CH2M HILL Engineers, Inc. (CH2M HILL)
- (c) Authorizing the City Manager to terminate negotiations with CH2M HILL, and to negotiate the design-build contract for the Cogeneration Facility Project with the second-ranked proposer, in the event that the City Manager determines that the City and CH2M HILL cannot agree upon the terms of the design-build contract.
- (d) Finding the Initial Study and Mitigated Negative Declaration for the San José-Santa Clara Regional Wastewater Facility (RWF) Cogeneration Project is complete, and was prepared in compliance with the California Environmental Quality Act (CEQA), and incorporating environmental mitigation measures as set forth in the Mitigation Monitoring and Reporting program for the project.

**The proposed resolutions were adopted by Council on December 1, 2015.**

D. Second Amendment for Legal Services Agreement for Regional Wastewater Facility Capital Program

Staff Recommendation:

Adopt a resolution authorizing the City Attorney to execute a Second Amendment to the legal services agreement with Hawkins, Delafield & Wood LLP, to modify the initial term of December 1, 2014 through December 1, 2015, to December 1, 2014 through June 20, 2016, to coincide with the fiscal year appropriations which will increase the amount available in the initial term to \$700,000, and to modify the number of option terms from two terms to one term, without increasing the total maximum amount of compensation of \$1,000,000 available under the contract, subject to appropriation of funds by City Council, to support the San José-Santa Clara Regional Wastewater Facility ("RWF") capital improvement program.

**The proposed resolution was adopted by Council on December 1, 2015.**

E. Master Consultant Agreement with CDM Smith Inc. for Engineering and Construction Management Services for the "7701- Headworks Project" at the San José- Santa Clara Regional Wastewater Facility

Staff Recommendation:

Approve a master consultant agreement with CDM Smith Inc. to provide engineering and construction management services for the Headworks Improvements (including Headworks Critical Improvements) and New Headworks at the San José-Santa Clara Regional Wastewater Facility for a period beginning on the date of execution through December 31, 2022 in a total amount not to exceed \$9,670,000, subject to the appropriation of funds.

**The proposed recommendation was approved by Council on December 1, 2015.**

F. Report on Bids and Award of Contract for 7946- Process Water Pumps Replacement Project

Staff Recommendation:

1. Award of a construction contract for 7946 – Process Water Pumps Replacement Project to the low bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$382,100
2. Approval of a construction contingency of 15 percent in the amount of \$57,315

**The proposed recommendations were approved by Council on December 1, 2015.**

G. Execute An Open Purchase Order with ABB Inc.  
Staff Recommendation:

Authorize the City Manager to:

- (a) Execute an Open Purchase Order with ABB Inc. (Wickliss, OH) for hardware repair, replacement, and rebuilding services for the Distributed Control Systems (DCS) at the Regional Wastewater Facility, for the term December 1, 2015 through November 30, 2016 in an amount not to exceed \$750,000 per year; and
- (b) Execute change orders to purchase additional parts and services subject to the appropriation of funds; and
- (c) Execute additional purchase orders for the subsequent annual purchase of hardware repair, replacement, and rebuilding services through November 30, 2018 subject to the appropriation of funds.

**The proposed recommendations were accepted by Council on December 1, 2015.**

H. Clean Water State Revolving Fund Loan Application

Staff Recommendation:

Adopt the following resolutions:

- (a) Authorize the City Manager to execute and deliver documents to the State Water Resources Control Board to complete the financial assistance application for a Clean Water State Revolving Fund Loan to finance the Digester and Thickener Facilities Upgrade Project at the San José-Santa Clara Water Pollution Control Plant;
- (b) Declare the official intent of the City of San José to reimburse itself for certain capital expenditures related to the Digester and Thickener Facilities Upgrade Project from the proceeds of the Clean Water State Revolving Fund Financing Agreement Project Funds; and
- (c) Pledge revenues received from the San José Sewer Service and Use Charge, the City of Santa Clara, and from Outside Users that are deposited into the San José-Santa Clara Treatment Plant Fund pursuant to San José Municipal Code Chapter 4.80 and written agreements with these agencies for each agency's share of the capital cost including repayment of any and all Clean Water State Revolving Fund financings for the Digester and Thickener Facilities Upgrade Project.

**The proposed resolutions were adopted by Council on November 10, 2015.**

8. REPORTS

- A. There were no items to report.

9. **MISCELLANEOUS**

A. The next TPAC meeting is January 14, 2016, at 4:30 p.m. City Hall, Room 1734.

10. **PUBLIC COMMENT**

David Wall spoke.

11. **ADJOURNMENT**

A. The Treatment Plant Advisory Committee adjourned at 5:21 p.m.

Jamie Matthews, Chair  
TREATMENT PLANT ADVISORY COMMITTEE



**San José-Santa Clara**  
Regional Wastewater Facility

# Capital Improvement Program Monthly Status Report for November 2015

January 7, 2016

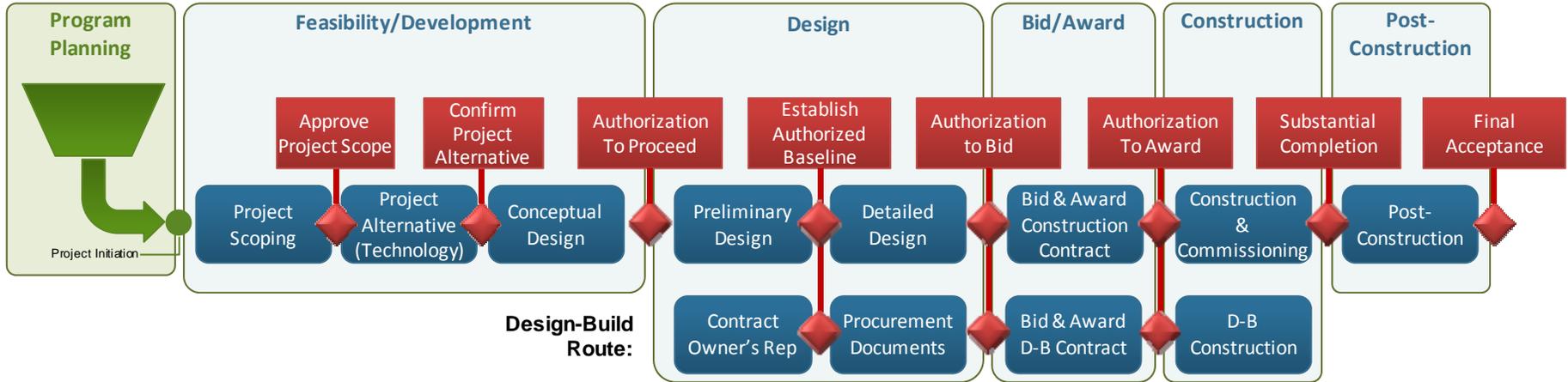
This report provides a summary of the progress and accomplishments of the Capital Improvement Program (CIP) for the San José-Santa Clara Regional Wastewater Facility (Wastewater Facility or RWF) for the period of November 2015.

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# Project Delivery Model



Active Projects – Nov 2015

	Feasibility/Development	Design	Bid/Award	Construction	Post-Construction	
<b>Design-Build</b>	<ul style="list-style-type: none"> <li>Outfall Bridge and Levee Improvements</li> <li>Switchgear S40/G3 Relay Upgrade</li> </ul>	<ul style="list-style-type: none"> <li>Adv. Facility Control and Meter Repl.</li> <li>Aeration Tanks Rehab.</li> <li>Blower Improvements</li> <li>Facility-wide Water Systems</li> <li>Filter Rehabilitation</li> <li>Headworks Critical Improvements</li> <li>Nitrification Clarifiers Rehab.</li> <li><b>Support Building Improvements</b></li> </ul>	<ul style="list-style-type: none"> <li>Construction-Enabling Improvements</li> <li>Digester &amp; Thickener Facilities Upgrade</li> <li>Plant Instrument Air System Upgrade</li> </ul>	<ul style="list-style-type: none"> <li>Fiber Optic Connection</li> <li>Iron Salt Feed Station</li> </ul>	<ul style="list-style-type: none"> <li>A5-A6 Nitrif. Mag. Meter &amp; Valve Repl.</li> </ul>	<ul style="list-style-type: none"> <li>Pond A18 N.Gate Repl.</li> <li><b>Digester Gas Storage Repl.</b></li> </ul>
<b>Design-Build</b>				<ul style="list-style-type: none"> <li>Cogeneration Facility</li> </ul>	<ul style="list-style-type: none"> <li>Digester Gas Compressor Upgrade</li> <li>Emergency Diesel Generators</li> </ul>	
					<ul style="list-style-type: none"> <li>New Headworks</li> </ul>	

Note: Projects shown in bold and italics have moved phase in the reporting period

**Key**

- Stage Gates (Red box)
- Stages (Blue box)



# Program Summary

## November 2015

In November, the CIP progressed on multiple fronts, including the successful advancement of two projects and two programmatic studies through the Project Delivery Model (PDM) stage gate process. The projects and studies that advanced were:

- Iron Salt Feed Station Project (Authorization To Award);
- Support Building Improvements Project (Project Scoping);
- Automation Master Plan Study (Final Acceptance); and
- Traffic Circulation and Impacts Study (Final Acceptance).

The CIP also met a number of key procurement milestones. Staff advertised a Request for Qualifications (RFQ) for Value Engineering and Peer Review Services, which will allow these services to be procured at a programmatic level for all future projects. Staff held a preproposal meeting and consultant site walk for the advertised Advanced Facility Control and Meter Replacement Project RFQ and received Statements of Qualifications (SOQ) for the project. Staff also received SOQs for the Nitrification Clarifiers Rehabilitation Project.

Staff presented recommendations to the Treatment Plant Advisory Committee (TPAC) to award a master consultant agreement to CDM Smith for the Headworks Project and to authorize the City Manager to negotiate a design-build contract with CH2M Hill for the Cogeneration Facility Project. Staff also presented to TPAC recommendations related to Clean Water State Revolving Fund (SRF) loan applications and proposed amendments to the tributary agency master agreements to secure SRF funding and short-term financing. Staff will present these recommendations to City Council (Council) next month.

The RWF held the third annual open house for prospective vendors on Wednesday, November 4. This major outreach effort increased the awareness of upcoming CIP procurements to approximately 80 consultants, contractors, material and equipment suppliers. The open house consisted of a presentation and tour of the RWF for all participants. Previous CIP open house events were held in 2012 and 2014.

In addition, construction continued on the Emergency Diesel Generators Project and the Digester Gas Compressor Upgrades Project. The new digester gas holder constructed as part of the Digester Gas Storage Replacement Project was successfully commissioned and placed into service this month.

## Look Ahead

Next Month, staff will continue to move forward with efforts related to consultant procurements, including the Nitrification Clarifiers Rehabilitation Project and the Advanced Facility Control and Meter Replacement Project. Staff will advertise new RFQs for the Aeration Tanks Rehabilitation Project and the Blower Improvements Project and re-advertise the RFQ for the Facility-wide Water Systems Improvements Project.

Procurements for a number of programmatic services are also expected to advance, including General Engineering Services; Design and Construction Management Software (DCMS); Value Engineering and Peer Review Services; System Integration Services; and Audit Services. Staff will advertise a new RFQ next month for Construction Management and Inspection Services.

Also next month, staff will present recommendations to Council to:

- Authorize the City Manager to negotiate a design-build contract for the Cogeneration Facility Project;
- Award a consultant agreement for the Headworks Project;
- Award a consultant agreement for the Filter Rehabilitation Project; and
- Provide direction to staff on proposed amendments to the RWF master agreements.

Two projects will seek to advance through stage gates in December:

- Digester Gas Storage Replacement Project (Substantial Completion) and
- Digester and Thickener Facilities Upgrade Project (Authorization to Bid). The Digester and Thickener Facilities Upgrade Project is scheduled to be advertised in January.

All CIP project managers and project engineers will continue formal Staff training with a session on Air Permit Regulations planned for December.



## Program Highlight – Project Interface Management

The Capital Improvement Program (CIP) projects at the RWF are developed and implemented on different schedules in an operational environment with numerous interconnected and interdependent processes and systems. For example, digesters, which treat solids removed in the primary and secondary liquid treatment processes, produce methane gas as a byproduct. This gas is used as fuel for engine generators that produce both electrical power and heat. The electrical power is then used to run pumps and other plant equipment; the heat is used to heat the digesters and RWF buildings. As projects are designed and constructed to update the RWF, they often impact or connect to current processes and systems, as well as other planned CIP or Operation and Maintenance (O&M) projects. These impacts, or *project interfaces*, must be carefully managed to minimize disruptions to the RWF and ensure that design and construction activities between the various projects are coordinated, tracked, and appropriately managed to achieve optimal results.

The goal of Project Interface Management is to minimize:

- Unnecessary or unplanned disruption to the processes and systems that enable the RWF to meet its regulatory environmental commitments; and
- Gaps and/or overlaps between projects that could result in construction inefficiencies and additional costs.

To achieve this goal, the CIP has developed an Interface Management Process that consists of an Interface Log and Decision Log, both maintained on the CIP Portal. The Interface Log identifies project interfaces and involved stakeholders to facilitate and coordinate between CIP projects, and between CIP and O&M projects, as well as track and manage related actions and responsibilities. Decisions flow from the Interface Log to the Decision Log to ensure that interface decisions are made at the appropriate levels, are visible to all stakeholders, and provide historical accounts of decisions. The interface process also includes periodic project level interface reviews, interface information within the PDM at stage gates, and stakeholder meetings to work out details between project teams.

The CIP is currently migrating the Excel-based Interface Log to the newly-developed and enhanced SharePoint-based log. Next steps include:

- Augmenting ongoing interface management activities with focused project-level interface management reviews beginning in December;
- Launching a Portal interface management dashboard by spring 2016; and
- Developing an interface project manager training module by summer 2016.

### Our Project Interfaces Tool Box Includes:



1. Interface Management Resources
2. A Project Interface Log
3. Focused Project Interface Reviews
4. Program Delivery Model Stage Gate Interface Components
5. Decision Log Interface tracking

## Program Performance Summary

Eight key performance indicators (KPIs) have been established to measure the overall success of the CIP. Each KPI represents a metric that will be monitored on a regular frequency. Through the life of the CIP, KPIs will be selected and measured which best reflect the current maturity of the program.

### Program Key Performance Indicators – Fiscal Year 2015-2016

KPI	Target	Year to Date			Fiscal Year End		
		Actual	Status	Trend	Forecast	Status	Trend
<b>Stage Gates</b>	80%	100% (13/13) <sup>1</sup>			100% (28/28)		
Measurement: Percentage of initiated projects and studies that successfully pass each stage gate. Criteria: Red: < 70%; Amber: 70% to 80%; Green: >=80%							
<b>Schedule</b>	85%	33% (1/3) <sup>2</sup>			25% (1/4)		
Measurement: Percentage of CIP projects delivered within 2 months of approved baseline Beneficial Use Milestone. Criteria: Red: < 75%; Amber: 75% to 85%; Green: >=85%							
<b>Budget</b>	90%	100% (4/4)			83% (5/6)		
Measurement: Percentage of CIP projects that are completed within the approved baseline budget. Criteria: Red: < 80%; Amber: 80% to 89%; Green: >=90%							
<b>Expenditure</b>	\$154M	71M			\$192M <sup>3</sup>		
Measurement: CIP Fiscal Year 15/16 committed costs. Committed cost meets or exceeds 70% of planned Budget (70% of \$220M = \$154M)							
<b>Procurement</b>	80%	100% (7/7) <sup>4</sup>			100% (17/17)		
Measurement: Number of consultant and contractor procurements for initiated projects and program-wide services advertised compared to planned for the fiscal year. Criteria: Red: < 70%; Amber: 70% to 79%; Green: >=80%							
<b>Safety</b>	0	0			0		
Measurement: Number of OSHA reportable incidents associated with CIP construction for the fiscal year. Criteria: Red: > 2; Amber: 1 to 2; Green: zero incidents							
<b>Environmental</b>	0	0			0		
Measurement: Number of permit violations caused by CIP construction for the fiscal year. Criteria: Red: > 2; Amber: 1 to 2; Green: zero incidents							
<b>Staffing<sup>5</sup></b>	80%	100% (1/0)			86% (25/29)		
Measurement: Number of planned positions filled for the fiscal year. Criteria: Red: < 70%; Amber: 70% to 79%; Green: >=80%							

#### Notes

- For the Stage Gate KPI Year to Date (YTD), the number of completed stage gates increased from 9 to 13. The following projects/studies successful completed their stage gates in November – Iron Salt Feed Station, Study 4 – Automation Master Plan and Process Control Approach, Study 12 – Traffic Circulation and Impacts, and Support Building Improvements.
- For the Schedule KPI YTD, one out of three projects was completed within the approved baseline schedule. This is a slip from one of two projects last month as Digester Gas Storage Replacement Project reached Beneficial Use this month, instead of June 2015.
- The FYE Forecast Expenditure decreased marginally due to lower November expenses and liquidation of carryover.
- For the Procurement KPI Year to Date, the number of procurements increased from 6 to 7. The Request for Qualifications for Value Engineering and Peer Review Services was advertised in November 2015.
- The City Staffing level KPI for planned recruitments for positions that are vacant at the start of the fiscal year, KPI measured quarterly; all other KPIs measured are monthly. KPI measurement does not account for staff turnover throughout the fiscal year.

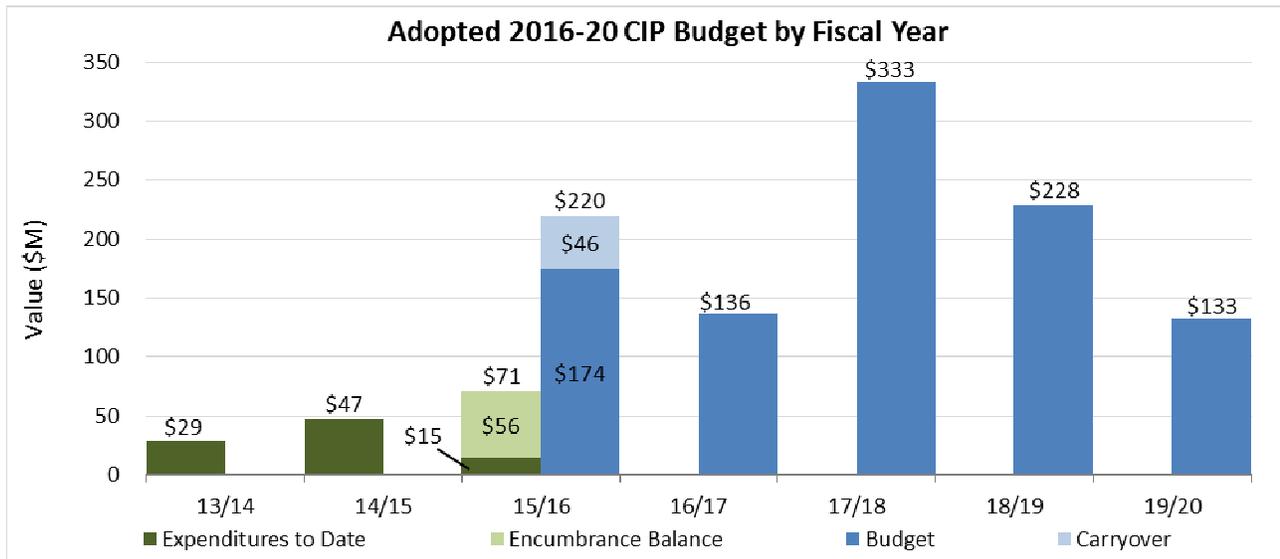


## Program Cost Performance Summary

This section provides a summary of CIP cost performance for all construction projects and non-construction activities for FY15-16 and the 2016-2020 CIP.

### Adopted 2016-2020 CIP Expenditure and Encumbrances

To accommodate the proposed increase in expenditures and encumbrances over the next five years, the City is implementing a long-term financial strategy to fund needed, major capital improvements while minimizing the impact to ratepayers. FY13-14 and FY14-15 expenditures have been adjusted to reflect the CIP portion of the Treatment Plant Capital Fund, Fund 512, excluding South Bay Water and Urgent and Unscheduled Cost (\$2.6M and \$1.5M, respectively).



#### **Notes**

**Expenditure:** Actual cost expended, either by check to a vendor or through the City's Financial System for expense such as Payroll or non-personal expenses that do not require a contract.

**Encumbrance:** Financial commitments, such as purchase orders or contracts, which are committed to a vendor, consultant, or contractor. The encumbrance reserves the funding within the appropriation and project.

**Encumbrance Balance:** The amount of the remaining encumbrance committed after payments.

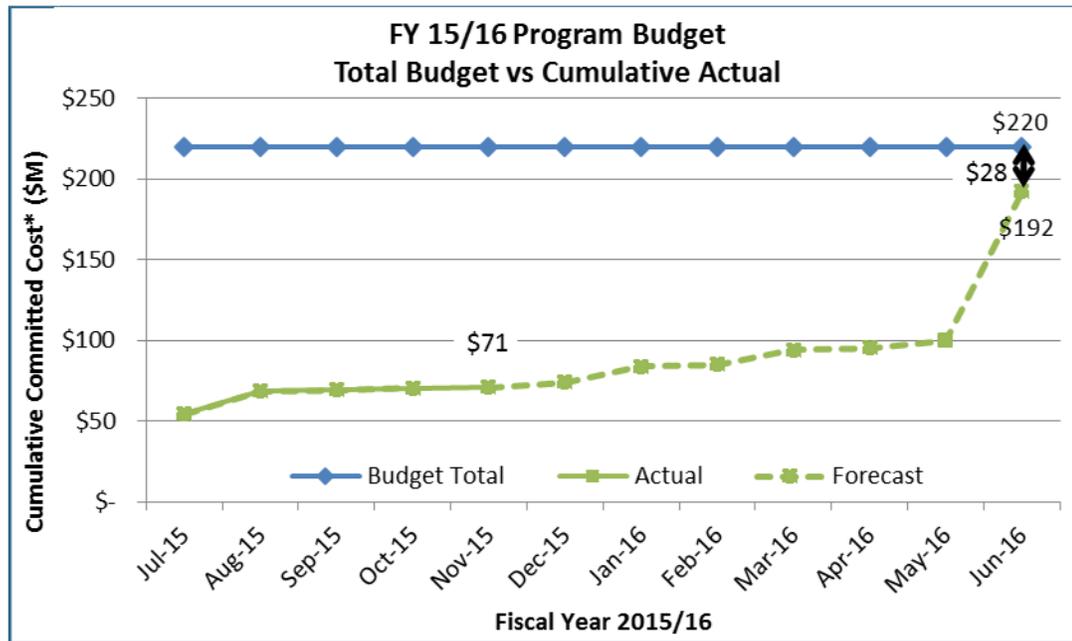
**Budget:** Adopted FY 2016-2020 Budget. This is new funding plus rebudgeted funds.

**Carryover:** Encumbrance Balances at the end of a FY become Carryover Funding. This is different from rebudgets, in that this is done automatically in order to utilize the funding previously committed, but not yet paid.



## Fiscal Year 2015-2016 Program Budget Performance

The fiscal year program budget is \$220 million. The budget amount of \$220 million represents the 2015-2016 budget of \$174 million plus carryover of \$46 million. The budget amount excludes Reserves, Ending Fund Balance, South Bay Water Recycling, Public Art, and Urgent and Unscheduled Rehabilitation items.



\*Committed costs are expenditures and encumbrance balances, including carryover (encumbrance balances from the previous fiscal year).



## Project Performance Summary

There are currently five active projects in the construction or post-construction phase with a further 19 projects in feasibility/development, design or bid and award phases (see PDM graphic at the front of this report). All active projects are listed in the tables below. Projects in the construction phase have cost and schedule baselines established and are monitored using the City's Capital Staff System (CPMS). Green/red icons are included in the table below to indicate whether these projects are on budget and schedule, using the CPMS data as a source.

### Project Performance – Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date <sup>1</sup>	Cost Performance <sup>2</sup>	Schedule Performance <sup>2</sup>
Pond A18 Northern Gate Structure	Post-Construction	Aug 2015 <sup>3</sup>	N/A <sup>4</sup>	N/A <sup>4</sup>
Digester Gas Storage Replacement	Post-Construction	Nov 2015 <sup>3</sup>		
A5-A6 Nitrification Mag. Meter & Valve Replacement	Construction	Mar 2016		
Emergency Diesel Generators	Construction	Aug 2016		
Digester Gas Compressor Upgrade	Construction	Sep 2016		

#### KEY:

<b>Cost:</b>		On Budget		>1% Over Budget
<b>Schedule:</b>		On Schedule		>2 months delay

#### Notes

- Beneficial Use is defined as when the work is sufficiently complete, in accordance with the contract documents, so that the City can occupy or use the work. Beneficial use dates are being reviewed as part of project schedule reviews.
- An explanation of cost and schedule variances on specific projects identified in this table is provided on page 12.
- Actual Beneficial Use Date
- Due to the emergency nature of the Pond A18 Northern Gate Replacement project, cost and schedule performance measurement criteria have not been applied.



## Project Performance – Pre-Baselined Projects

Project Name	Phase	Estimated Beneficial Use Date <sup>1</sup>
Fiber Optic Connection	Bid & Award	Jul 2016
Iron Salt Feed Station	Bid & Award	Mar 2017
Cogeneration Facility	Procurement	Mar 2019
Construction-Enabling Improvements	Design	Nov 2016
Plant Instrument Air System Upgrade	Design	Jan 2018
Digester & Thickener Facilities Upgrade	Design	Jun 2019
Headworks Critical Improvements	Feasibility/Development	May 2017
Blower Improvements	Feasibility/Development	Jan 2019
Switchgear S40/G3 Relay Upgrade	Feasibility/Development	Sept 2020
Adv. Facility Control & Meter Replacement	Feasibility/Development	May 2020
Headworks Improvements	Feasibility/Development	Jan 2021
Outfall Bridge and Levee Improvements	Feasibility/Development	Nov 2021
Facility-wide Water Systems Improvements	Feasibility/Development	Jan 2022
Digested Sludge Dewatering Facility	Feasibility/Development	Dec 2021
Filter Rehabilitation	Feasibility/Development	Feb 2022
New Headworks	Feasibility/Development	Jun 2022
Nitrification Clarifiers Rehabilitation	Feasibility/Development	Aug 2022
Aeration Tanks Rehabilitation	Feasibility/Development	Sep 2023
Support Building Improvements	Feasibility/Development	Jan 2027

### Notes

1. Beneficial use is defined as when the work is sufficiently complete, in accordance with the contract documents, so that the City can occupy or use the work. Beneficial use dates are being reviewed as part of project schedule reviews.



## Significant Accomplishments

The projects below are described under different “packages.” In the CIP, packages are groups of projects organized within the same treatment process area.

### Biosolids Package

#### Digester and Thickener Facilities Upgrade

- The design consultant is completing final plans and specifications.
- Staff reviewed the 90 percent design submittal documents.

#### Digester Gas Storage Replacement

- The digester gas storage tank was placed into service this month.
- The contractor was issued substantial completion after 10 days of successful run time.
- The contractor is addressing outstanding “punch list” construction items.

### Facilities Package

#### Cogeneration Facility

- TPAC recommended that Council approve staff recommendations to negotiate a design-build contract with the top-ranked proposer, CH2M Hill.

#### Support Building Improvements

- The Support Building Improvements Project successfully passed the Approve Scope stage gate. This project will be divided into four component parts: (1) Fire Life Safety Improvements, (2) HVAC Improvements, (3) New Warehouse and Shop Facilities, and (4) Public Art and Landscape Improvements. Parts (1) and (2) will commence Project Alternatives stage in December.

### Liquids Package

#### Headworks Improvements and New Headworks

- Staff recommended to TPAC award of a consultant agreement for owner's representative and construction management services.

#### Nitrification Clarifiers Rehabilitation

- Staff received the Statement of Qualifications (SOQs) and issued invitations to two qualified firms to participate in an interview scheduled next month.

#### Advanced Facility Control and Meter Replacement

- Staff received SOQs and began review.

### Power and Energy

#### Digester Gas Compressor Upgrade

- Construction of compressor building and cooling equipment pads was completed.
- The chillers and cooling tower equipment arrived on site.
- Construction is 40 percent complete.

### Programmatic Studies

#### Automation Master Plan (AMP) and Process Control Approach

- Staff approved the final stage gate at which the AMP was presented laying out a vision for the RWF 10 year plan for data acquisition and management, automation, and advanced facility control.

#### Traffic Circulation and Impacts

- Staff approved the final stage gate for the Traffic Circulation and Impacts Study. This study has developed a traffic management plan for addressing anticipated increased traffic related to construction activities at the RWF.

#### Flood Protection Study

- Staff completed review of the draft Flood Protection Guidelines for future RWF projects and published the final guidelines.
  - One additional alternative will be evaluated, which will move study completion to February 2016.



## Explanation of Project Performance Issues

### A5-A6 Nitrification Magnetic Meter & Valve Replacement

In September 2014, during startup, the project team discovered that the actuators that had been specified and installed were incompatible with the available power supply. Engineering staff determined it would cost more to modify the electrical system than to order and install compatible actuators. O&M staff requested that the actuators match the custom actuators used in the other 14 clarifiers. The City pursued various options to resolve the issue and has recently received a proposal from the contractor to install new actuators based on a revised specification. Upper management expects to soon achieve a negotiated agreement to include all outstanding contract issues. The existing funding will not likely be sufficient and the project will need Council approval for additional funds. Lead time of between 14 to 16 weeks will be required for ordering custom-built actuators. Contractor mobilization, actuator installation, wiring, troubleshooting, and "punch list" sign off will take a minimum of three weeks. Beneficial Use is expected by March 2016.

### Digester Gas Compressor Upgrade

During the course of the design portion of this design-build project, it was determined that some of the equipment for this project would need to meet the explosion-proof classification of Class 1, Division 1 of the National Electric Code. This classification was more stringent than what was originally called for in the bid documents. Cost and schedule impacts were received from contractor, Anderson Pacific. In June, Council approved additional project funding and a three-month time extension due to a motor upgrade. Beneficial Use is expected by September 2016.

### Digester Gas Storage Replacement

During a comprehensive review of the gas storage tank design submitted by the design consultant, Brown and Caldwell, it was noted that the removable piston legs used in the subcontractor's proposed design did not meet design standards and could cause problems with the tank's intended use. The contractor was granted a three-month, no-cost time extension to September 28 to complete design modifications to the gas holder support structure. Several owner-requested changes were evaluated during the prestartup period, resulting in three additional change orders for additional minor work. All work requiring welding or other spark-producing activities was completed prior to the introduction of gas. The tank has successfully passed its required leakage test and was successfully commissioned this month. The tank is in use, the project is within budget, and final contract close out activities are expected to be completed by February 2016.



## Project Profile

### Plant Instrument Air System Upgrade

The RWF has a high pressure instrument air supply system used for pneumatic operations and valve and instrument controls. Three existing water-cooled air compressors are currently located in the basement of the Secondary Blower Building in a location that is vulnerable to power loss and flooding. The current system is dependent on cooling water from the RWF absorption chillers. This cooling water will become unavailable in the next two to three years once the Cogeneration Facility Project is commissioned.

The new Plant Instrument Air System will replace the existing plant air compressors. The primary goal of the new system is to improve overall reliability. The new system will be located above grade in a new building protected from flooding and other vulnerabilities. The three new air compressors will be air cooled, eliminating the dependency on an external cooling source. In addition, the new system will have the capability to be remotely powered up from both the existing electrical distribution center in the Secondary Blower Building and an electrical distribution center in the Sludge Control Building.

The project will be delivered using a design-bid-build approach. The design consultant, CH2M, is scheduled to complete the 100 percent bid plans and specifications in April 2016. The construction contractor is expected to receive the Notice-to-Proceed in September 2016. This project should be substantially completed and ready for Beneficial Use by January 2018.

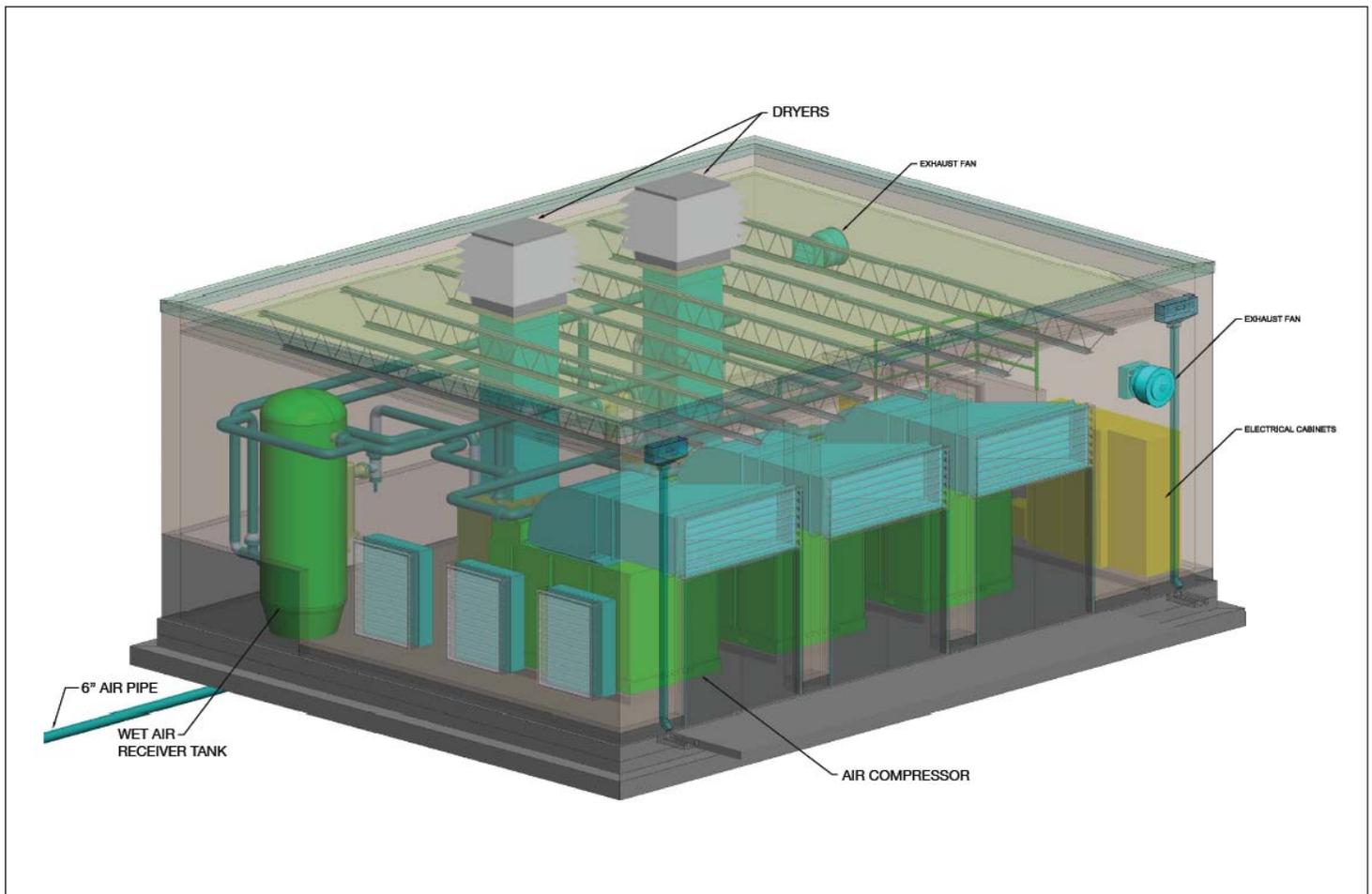


Figure 2 – Plant Instrument Air System Conceptual Building Isometric Rendering

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# Regional Wastewater Facility Treatment – Current Treatment Process Flow Diagram

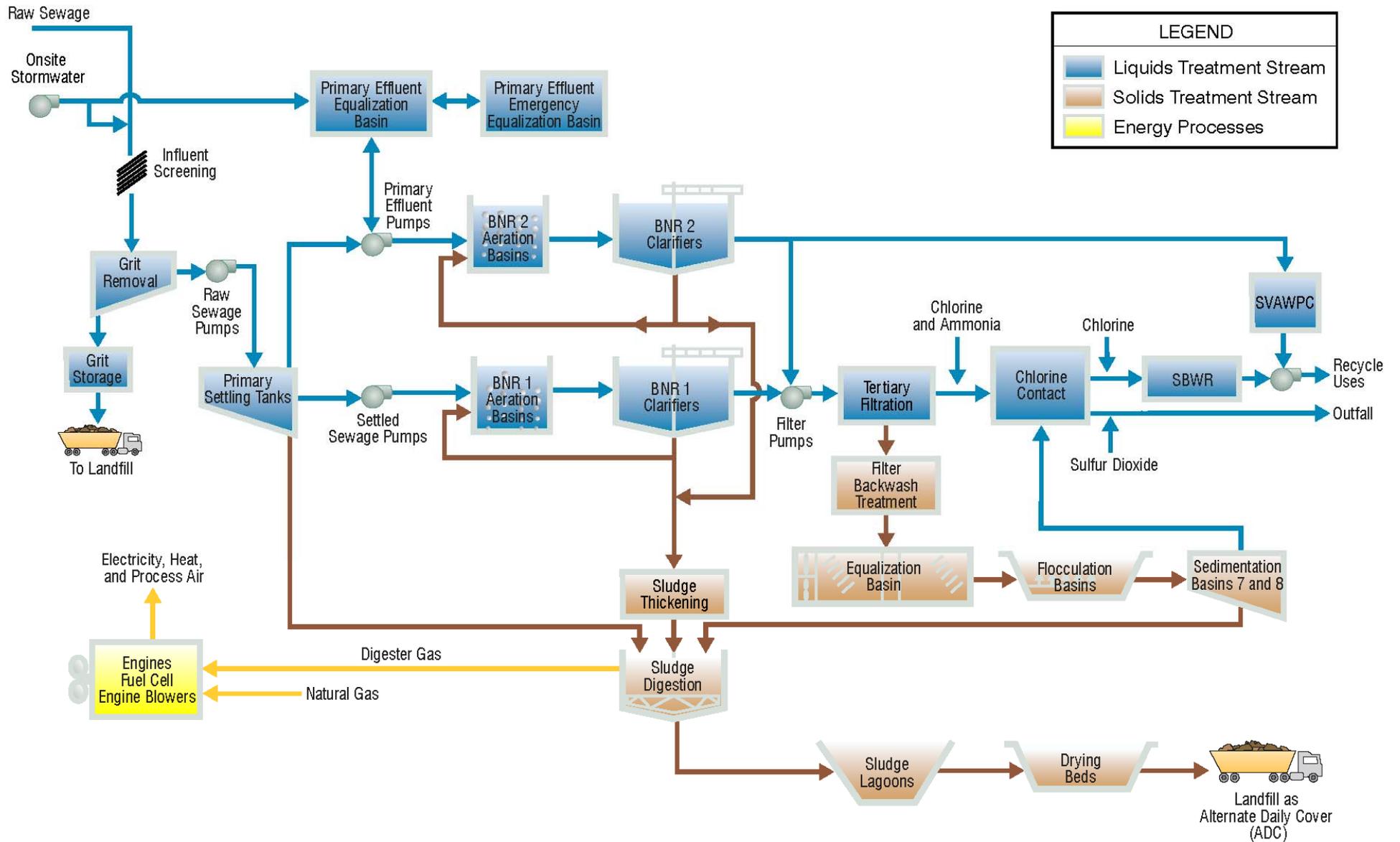


Figure 4 — Current Treatment Process Flow Diagram



# Regional Wastewater Facility Treatment – Proposed Treatment Process Flow Diagram

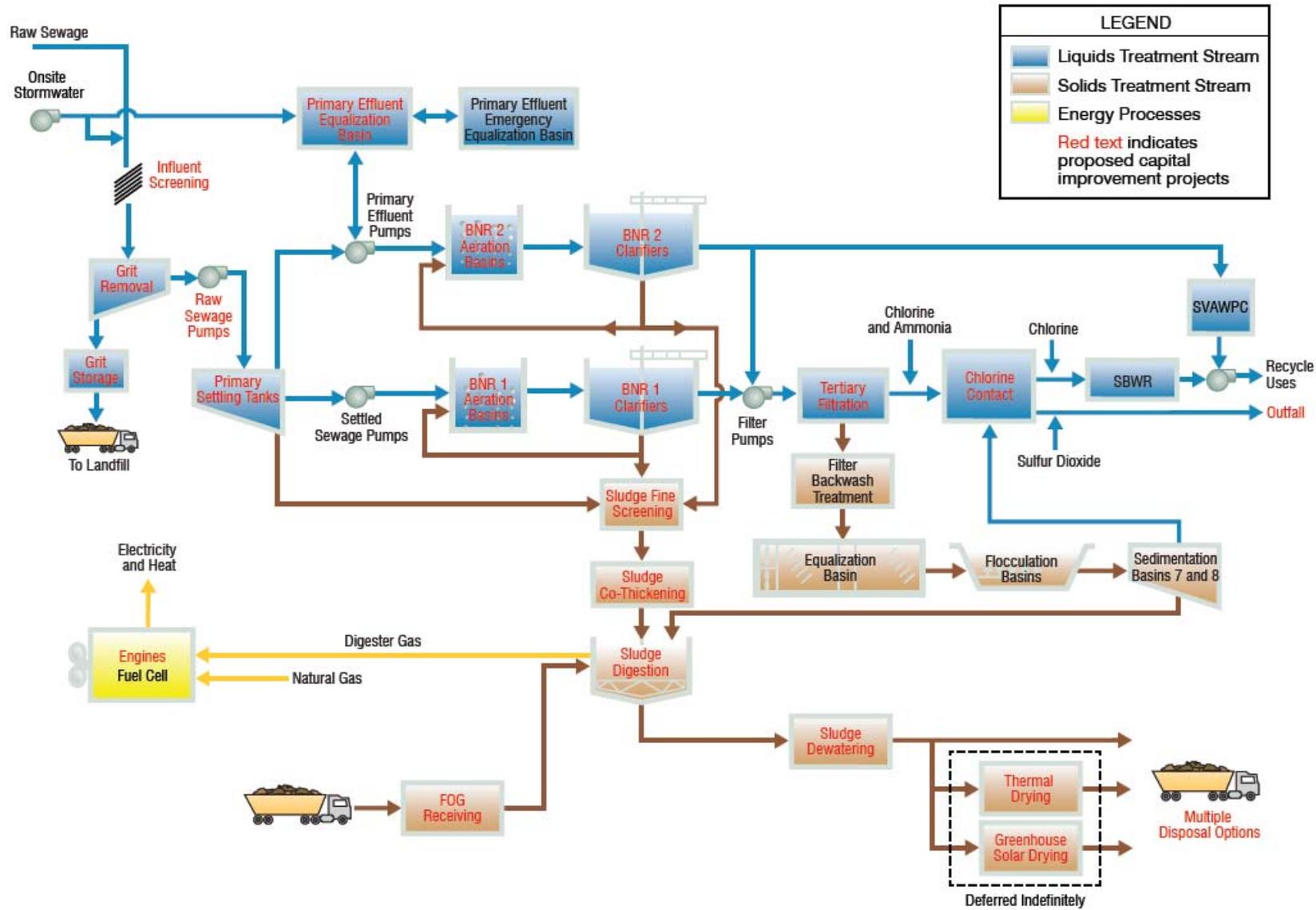


Figure 5 — Proposed Treatment Process Flow Diagram



## Active Construction Projects – Aerial Plan



Figure 6—Active Construction Projects



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kerrie Romanow  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** January 4, 2016

Approved

Date

1/7/16

**SUBJECT: REPORT ON BIDS AND AWARD OF CONSTRUCTION CONTRACT FOR 6717 – IRON SALT FEED STATION PROJECT AT THE SAN JOSÉ-SANTA CLARA REGIONAL WASTEWATER FACILITY**

## RECOMMENDATION

- (a) Report on bids and award of construction contract for 6717- Iron Salt Feed Station Project to the low bidder, Anderson Pacific Engineering Construction, Inc., in the amount of \$5,205,000 and approve a 15 percent construction contingency in the amount of \$780,750;
- (b) Adopt a resolution authorizing the Director of Public Works to execute one or more change orders in excess of \$100,000 for the remaining duration of the Project, not to exceed the total contingency amount approved for the Project;
- (c) Adopt the following 2015-2016 Appropriation Ordinance Amendments in the San José-Santa Clara Treatment Plant Capital Fund:
  - (1) Decrease the East Primary Rehabilitation, Seismic Retrofit, and Odor Control appropriation to the Environmental Services Department in the amount of \$1,500,000;
  - (2) Decrease the Tunnel Rehabilitation appropriation to the Environmental Services Department in the amount of \$300,000; and
  - (3) Increase the Iron Salt Feed Station appropriation to the Environmental Services Department in the amount of \$1,800,000.

## OUTCOME

Award of the construction contract to Anderson Pacific Engineering Construction, Inc. will allow for the completion and construction of the Iron Salt Feed Station Project (Project) at the San

José-Santa Clara Regional Wastewater Facility<sup>1</sup> (RWF). Approval of a 15 percent contingency will provide funding for any unanticipated work that is necessary for the proper completion of the Project.

## **BACKGROUND**

The RWF operates under a Bay Area Air Quality Management District (BAAQMD) air permit, which includes a condition for digester gas total sulfur emission to not exceed 350 parts per million (ppm). Staff conducted a full scale study in 2011 and determined that adding ferric chloride (Iron Salts) to the incoming raw sewage at the Emergency Basin Overflow Structure (EBOS) was effective in reducing the level of hydrogen sulfide in the digester gas. The study also found that the combination of ferric chloride and polymer dosing at the primary clarifiers helped to increase primary sludge removal and biogas production in the digesters. Other secondary benefits included a reduction in biological oxygen demand loading to the downstream biological treatment processes and reduced corrosion and odors in the Headworks and primary clarifiers.

The Project will construct a ferric chloride (Iron Salts) feed station as well as a polymer feed station (see Attachment A for location). Each station includes chemical storage tanks, pumps, piping, electrical components, instrumentation and controls, an open structure with a canopy, a concrete containment structure, a chemical off-loading station and site improvements. The ferric chloride feed station will deliver ferric chloride to the incoming raw sewage at the EBOS to lower the hydrogen sulfide level in digester gas and reduce corrosion and odor in the Headworks and East Primary Clarifiers. The polymer feed station will deliver polymer to the East Primary Junction Box to increase solids removal in the East Primary Clarifiers.

The Project will also provide a new control system and connect it to the existing control system to effectively and efficiently monitor and control the equipment at both stations. To ensure the compatibility and operability, the new control equipment will be pre-purchased by the City in accordance with the control standards established for the RWF. The contractor will be responsible for installation, startup and testing, and commissioning of the new control equipment.

## **ANALYSIS**

Bids were opened on October 22, 2015 with the following results:

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<sup>1</sup> The legal, official name of the facility remains San José/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.

Contractor	Bid Amount	Deductive Bid Alternates	Variance Over/(Under) Amount	Variance Over/(Under) Percent
<b>Engineer's Estimate</b>	<b>\$4,611,000</b>	<b>\$160,000</b>		
Anderson Pacific Engineering Construction, Inc. (Santa Clara)	\$5,205,000	\$365,000	\$594,000	13
Myers and Sons Construction (Sacramento)	\$5,274,010	\$383,250	\$663,010	14
Manito Construction (Pleasanton)	\$5,595,000*	\$365,000	\$984,000	21
GSE Construction (Livermore)	\$5,608,000	\$365,000	\$997,000	22
Preston Pipelines (Milpitas)	\$6,014,500	\$365,000	\$1,403,500	30
Kiewit Infrastructure (Fairfield)	\$6,277,900	\$383,250	\$1,666,900	36

*\*The total base bid submitted by Manito Construction contained a math error. The total base bid price submitted was \$5,775,000. The bid amount listed here is the corrected total per Standard Specification 2-1.05.*

Fourteen prospective bidders attended the mandatory pre-bid meeting and site walk for this project. A total of six bids were subsequently received with all of them higher than the Engineer's Estimate. After evaluating the bids, staff determined that the higher bids can be attributed to:

- A high demand for electrical, instrumentation and control, and programming work in the San Francisco Bay Area which affects labor and material prices;
- The Engineer's Estimate assumed lower mark-ups for the contractors' general conditions and overhead than current market conditions ; and
- The Engineer's Estimate for a few items (e.g., metal canopies and painting work) was not based on direct vendor quotes and may have resulted in higher than anticipated costs.

The lowest bid, submitted by Anderson Pacific Engineering Construction, Inc., is 13 percent higher than the Engineer's Estimate. Staff considers this reasonable for the work involved since this is within the accuracy range of a Class 1 estimate of +15 percent on the high end as defined by the Association for the Advancement of Cost Engineering International (AACEI).

The base bid amount includes work related to three deductive bid items: a) distributed control system programming, b) programmable logic control programming, and c) human machine interface development. These items of work were identified as deductive bid alternates in the event that RWF staff had the resources to perform the work in-house. Due to the high volume of work currently underway at the RWF, Operations and Maintenance staff is unable to perform the work. Therefore, staff recommends award of contract to the low bidder in accordance to Special Provisions 3-1.01D.

Construction contingencies for capital projects are established by Council Resolution No. 71319:

- a. Five percent of the total contract amount for street, sidewalk or park projects;
- b. 10 percent of the total contract amount for utilities and building projects;

- c. 15 percent of the total contract amount for building renovation projects;
- d. Such other amount as may be approved by the City Council for a particular project.

Staff recommends a 15 percent contingency for this Project to account for the challenge of maintaining continuous operations at the RWF during construction, in addition to complex project interfaces with existing electrical and process control facilities, potential utility conflicts, and other concurrent capital improvement projects underway by others.

Staff also recommends delegating authority to the Public Works Director to execute one or more change orders in excess of \$100,000 for the remaining duration of the Project. This is not to exceed the total contingency amount approved for the Project, and is subject to other applicable limitations on the authority of the Director in the San José Municipal Code. Approval of these recommendations will provide funding for any unanticipated work necessary for the proper completion of the Project, and provide staff with the flexibility to efficiently and effectively respond to unforeseen or changed conditions for the remaining duration of the Project.

### **EVALUATION AND FOLLOW-UP**

No follow-up action with City Council is expected at this time. A progress report on this and other RWF capital projects will be made to the Transportation and Environment Committee and the Council on a semiannual basis. Monthly progress reports of the RWF Capital Improvement Program (CIP) will also be submitted to the Treatment Plant Advisory Committee (TPAC) and posted on the City's website.

### **POLICY ALTERNATIVES**

#### ***Alternative 1: Direct City staff to reject all bids and re-bid the project***

**Pros:** Re-bidding the project may result in a more favorable bid result.

**Cons:** Re-bidding will delay the construction schedule and increase project delivery costs.

**Reason for not recommending:** Re-bidding a project does not always result in lower bids. The six bids received showed good interest from the construction industry. All of the bids were fairly close which indicates a competitive bidding climate. If this alternative is adopted, the construction schedule would be delayed for at least three to six months and project delivery cost would be increased due to staff and consultant effort in the re-bidding process.

#### ***Alternative 2: Direct City staff to modify scope and re-bid the project***

**Pros:** Modifying scope and re-bidding the project may reduce the project cost.

**Cons:** This alternative will delay the construction schedule, increase the project delivery costs, and not fulfill the project needs.

**Reason for not recommending:** Modifying scope and re-bidding the project would reject all bids and repackage the bid documents to include only the ferric chloride feed station. The construction of the polymer feed station would be deferred. This alternative does not fulfill the

project needs and requires amending design consultant service order for time extension and compensation to modify the plans, specifications, and bid documents. It would also require staff effort in the re-bidding process. If this alternative is adopted, the construction schedule would be postponed at least six to nine months, and project delivery cost would be increased due to the effort in repackaging the bid documents by consultant and managing the re-bidding process by staff.

### **PUBLIC OUTREACH**

This Project was advertised on BidSync on September 23, 2015 and advertised in the *San José Post Record*. This memorandum will be posted on the City's Council Agenda website for the January 26, 2016 City Council meeting.

### **COORDINATION**

This Project and memorandum have been coordinated with the Departments of Planning, Building and Code Enforcement, Public Works, Fire, and Finance, and the City Attorney's Office. This memorandum is scheduled to be heard at the January 14, 2016 TPAC meeting.

### **FISCAL/POLICY ALIGNMENT**

This Project is consistent with the Council approved focus on improving wastewater treatment efficiency, protecting vital core services, and meeting air permit discharge requirements.

### **COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:	\$5,205,000
Project Delivery	\$2,905,900*
City Pre-Purchased Control Equipment	63,350
Construction	5,205,000
Contingency (15%)	<u>780,750</u>
<b>Total Project Costs</b>	<b>\$8,955,000</b>
Prior Year Expense	<u>\$1,161,774</u>
<b>Remaining Project Costs</b>	<b>\$7,793,226</b>

\* Project delivery includes \$1,127,000 for consultant design and construction support services, \$103,000 for project management during feasibility and development, \$564,200 for project management during design, \$46,400 for bid and award, \$808,200 for construction management, \$131,500 for environmental consultant services, \$60,000 for special inspections, and \$65,600 for post construction and project closeout. The estimated project delivery cost is 55% of the construction cost, which is in line with project delivery costs for capital projects at other wastewater facilities.

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

This is a lump sum contract. \$5,205,000

3. SOURCE OF FUNDING: 512 – San José-Santa Clara Treatment Plant Capital Fund

4. OPERATING COSTS: The annual O&M costs to operate and maintain the ferric chloride feed station and polymer feed station are estimated to be approximately \$1,400,000 for initial operation year in 2017-2018. This is an increase of about \$700,000 over the current annual O&M costs to run the temporary ferric chloride feed station. The annual O&M costs include chemical cost, power cost, equipment repair/maintenance cost, and labor cost.

Funding for the Iron Salt Feed Station appropriation in 2015-2016 is insufficient for this award. A budget action is recommended to increase the appropriation budget by \$1,800,000. To offset this increase, decreases to the East Primary Rehabilitation, Seismic Retrofit, and Odor Control and Tunnel Rehabilitation appropriations are recommended. These projects are being deferred to 2016-2017 due to staffing shortages, and will be programmed into the 2016-2017 Proposed Capital Budget. The positions necessary to manage these projects are expected to be filled by next fiscal year. Future year Iron Salt Feed Station costs will be programmed into the 2016-2017 Proposed Capital Budget and are subject to City Council approval.

**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. Additional funding sources have been identified to cover the costs above the original budgeted estimate for this project.

Fund #	Appn #	Appn Name	Current Total Appn	Rec. Budget Action	Amt for Contract	2015-2016 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
<b>Remaining Project Costs</b>			<b>\$7,793,226</b>				
512	7230	Iron Salt Feed Station	\$5,250,000	\$1,800,000	\$5,205,000	V – 174	06/23/2015 29589
<b>Total Current Funding Available</b>			<b>\$5,250,000</b>				
<b>New Funding to be Appropriated</b>				<b>\$1,800,000</b>			
<b>TOTAL FUNDING</b>				<b>\$7,050,000*</b>			
<b>Source of New Funding</b>							
512	7226	East Primary Rehabilitation, Seismic Retrofit, and Odor Control	\$1,636,000	(\$1,500,000)	N/A	V – 173	06/23/2015 29589
512	7698	Tunnel Rehabilitation	\$1,000,000	(\$300,000)	N/A	V – 194	06/23/2015 29589
<b>Total</b>				<b>(\$1,800,000)</b>			

\* The remaining project costs of \$743,000 will be incorporated into the 2016-2017 Proposed Capital Budget to cover costs that will be incurred after 2015-2016.

HONORABLE MAYOR AND CITY COUNCIL  
January 4, 2016  
**Subject: 6717 – Iron Salt Feed Station Project**  
Page 7

**CEQA**

PP14-098, Mitigated Negative Declaration (MND)

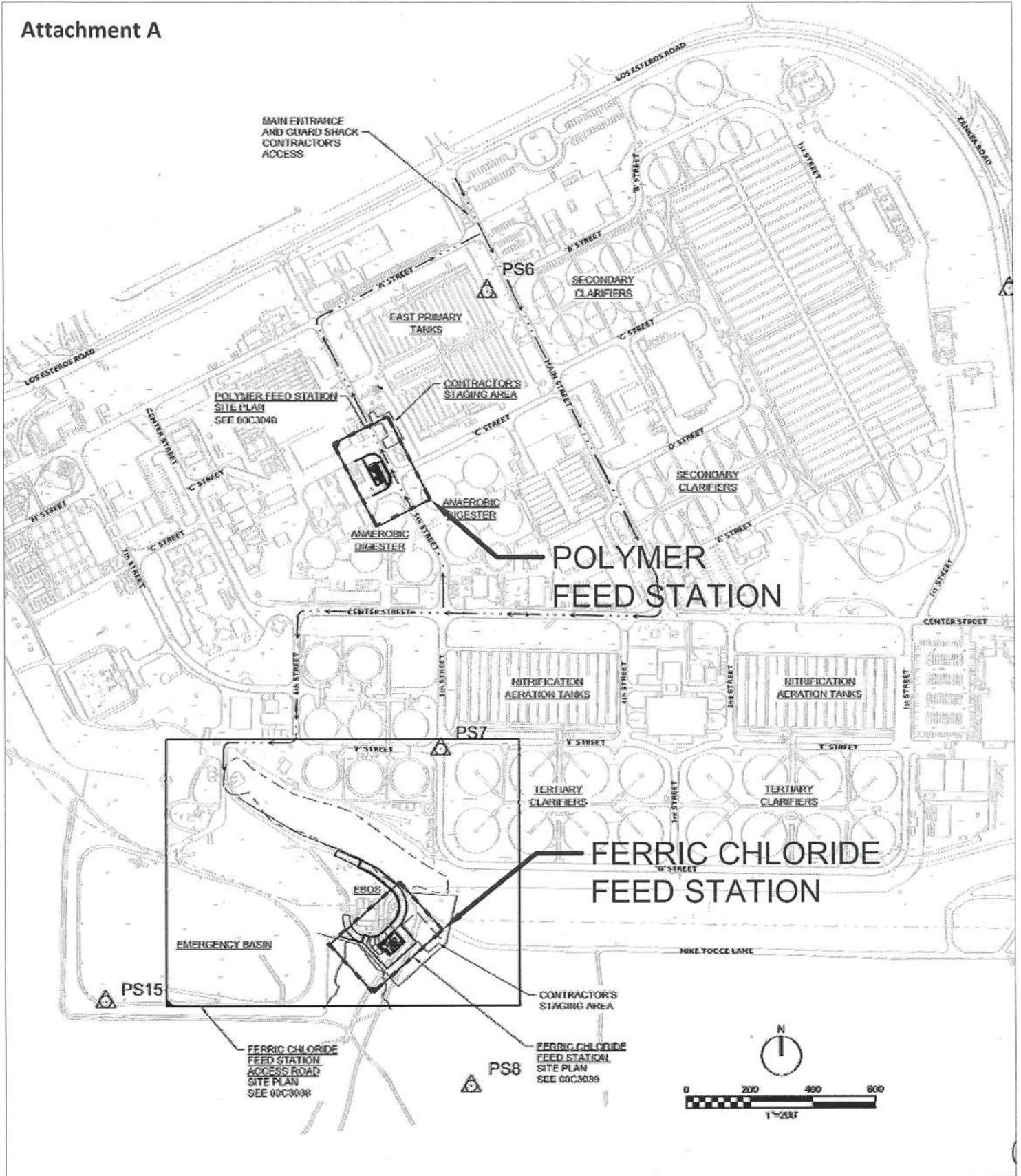
/s/  
Ashwini Kantak for  
KERRIE ROMANOW  
Director, Environmental Services Department

  
JENNIFER A. MAGUIRE  
Senior Deputy City Manager/  
Budget Director

For questions, please contact Ashwini Kantak, Assistant Director, Environmental Services Department at (408) 975-2553.

Attachment A – Iron Salt Feed Station Location Map

Attachment A



**IRON SALT FEED STATION  
LOCATION MAP**

# Memorandum

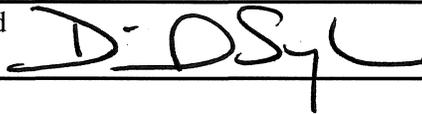
**TO:** TREATMENT PLANT  
ADVISORY COMMITTEE

**FROM:** Kerrie Romanow

**SUBJECT:** MID-YEAR BUDGET REVIEW  
STRATEGY FOR MASTER  
AGREEMENT AMENDMENTS

**DATE:** January 8, 2016

Approved



Date

1/8/16

## RECOMMENDATION

Accept the proposed 2015-2016 Mid-Year Budget Review strategy to provide staffing and funding to support amendments to the Master Agreement for Wastewater Treatment between City of San José, City of Santa Clara and Tributary Agencies.

## OUTCOME

Treatment Plant Advisory Committee (TPAC) approval of this strategy and subsequent San José City Council approval of the 2015-2016 Mid-Year Budget Review would provide additional funding to support needed staffing, consultants, and analysis of the Tributary Agencies' and Owners' proposed additional amendments to the Master Agreements for Wastewater Treatment Between City of San José, City of Santa Clara and Tributary Agencies (Master Agreements).

## BACKGROUND

The Regional Wastewater Facility (RWF) is jointly owned by the cities of San José and Santa Clara and provides wastewater treatment to the City of Milpitas, West Valley Sanitation District, Cupertino Sanitary District, Burbank Sanitation District, and County Sanitation District 2-3, collectively known as the Tributary Agencies. The Master Agreements were originally executed in March 1983 with a term ending in 2031. These Master Agreements define each participant's contractual rights. Staff is currently working on amendments to the Master Agreements to incorporate operating reserve contributions and to revise the term of the agreement to facilitate short term and long term borrowing on behalf of the Tributary Agencies. Staff is able to complete the work on these amendments without additional resources.

In October 2015, staff from the Tributary Agencies provided red lined Master Agreements to jointly request specific, substantive changes to the existing Master Agreements, beyond those discussed over the past year related to securing financing. These changes will need careful evaluation and consideration by the two owners as they could materially change the rights and obligation of the owners.

At the November 19, 2016 TPAC meeting, TPAC recommended that analysis and potential negotiations regarding additional substantive changes to the Master Agreements begin following a mid-year budget action. At the December 1, 2015 City Council meeting, Council approved the following recommendation:

“Direct staff to coordinate with the City of Santa Clara to evaluate the scope of the proposed amendments to the existing Master Agreements with the Tributary Agencies, and return to the City Council with recommendations on whether to proceed with negotiations, and a process and budget to negotiate amendments as part of the 2015-2016 mid-year budget process.”

### **ANALYSIS**

To implement this TPAC and San José City Council direction, the City of San José Environmental Services Department (ESD) developed a three-phased workplan:

Phase I: Discuss amendments with Santa Clara and San José City Councils. A City of San José Special Session meeting is scheduled for February 8, 2016.

Phase II: Negotiate amendments with Tributary Agencies. Work to begin in March 2016 upon approval of budget appropriations.

Phase III: When agreement is reached on the amendments, develop and execute documents.

The Administration will be requesting one overstrength Supervising Environmental Services Specialist (SESS) through December 31, 2016 to serve as Project Lead. The Project Lead/SESS will be assigned to ESD's Administrative Services Division, will help coordinate meetings and discussions with agency staff, track action items and deliverables, conduct research, and assess impacts of proposed changes. The SESS will serve as the City's single point of contact with staff from other agencies and will help to ensure consistent communications between the Owners and the Tributary Agencies during negotiations. Existing San José clerical support staff will provide support for meeting scheduling and logistics. An external financial consultant will be required to help with performing financial analysis to review possible impacts related to proposed changes to the Master Agreement. In addition to these resources, external consultant support with experience in wastewater treatment and contract negotiations will be required to successfully move negotiations forward to achieve amended Master Agreements.

Legal services from the San José City Attorney's Office will also be required. The Attorney's Office will utilize a Retiree-Rehire through June 30, 2016. During the proposed budget process, the Attorney's Office will determine the level of in-house support needed for FY 2016-17. In addition to in-house resources, the Administration will request the assistance of outside counsel.

The recommended mid-year adjustments will enable staff to begin negotiations in March 2016.

### **EVALUATION AND FOLLOW-UP**

The 2015-2016 Mid-Year Budget Review will be heard at the February 9, 2016 San José City Council meeting.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the TPAC Agenda of January 14, 2016.

### **COORDINATION**

This memorandum was coordinated with the Office of the City Attorney and the City Manager's Budget Office.

### **COST SUMMARY/IMPLICATIONS**

There are no additional costs estimated for Phase I. Phase II costs are estimated at \$423,000; the detailed breakdown is outlined in the table below. Phase III costs are still to be determined.

<b>Resources</b>	<b>Personal Services</b>	<b>Non Personal Services</b>
Retiree Rehire (City Attorney)	\$6,700	
Outside Legal Counsel		\$100,000
External Consultant Support		\$100,000
External Financial Consultant		\$100,000
Overstrength SESS (2/1/16 – 6/30/16) mid-range: salary savings	\$52,700	
Overstrength SESS (7/1/16-12/31/16) mid-range	\$63,500	
<b>Total</b>	<b>\$122,900</b>	<b>\$300,000</b>

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

For questions please contact Ashwini Kantak, Assistant Director, Environmental Services Department, at 408-975-2553.

