



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 22, 2016

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Contract For Construction Of El Estero Wastewater Treatment Plant Secondary Process Improvements Project

RECOMMENDATION: That Council:

- A. Increase estimated revenues and appropriations in the Wastewater State Revolving Fund Installment Sale Agreement Fund by \$2,506,426 to construct the El Estero Wastewater Treatment Plant Secondary Process Improvements Project, for a total amount of \$31,438,033, to be funded by State Revolving Fund Installment Sale Agreement proceeds;
- B. Waive minor bid irregularities and award a contract with Stanek Constructors, Inc., in their low bid amount of \$21,710,000 for construction of the El Estero Wastewater Treatment Plant Secondary Process Improvements Project, Bid No. 3737, and authorize the Public Works Director to execute the contract and approve expenditures up to \$2,171,000 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment;
- C. Authorize the Public Works Director to execute a contract with MNS Engineers, Inc., in the amount of \$2,490,300 for construction management services, and approve expenditures of up to \$249,030 for extra services of MNS Engineers, Inc., that may result from necessary changes in the scope of work;
- D. Authorize the Public Works Director to execute a contract with Brown and Caldwell in the amount of \$1,655,108 for construction support services, and approve expenditures of up to \$165,510 for extra services of Brown and Caldwell that may result from necessary changes in the scope of work; and
- E. Authorize the Public Works Director to execute a contract with Dudek in the amount of \$62,211.16 for environmental monitoring and support services, and approve expenditures of up to \$6,221 for extra services of Dudek that may result from necessary changes in the scope of work.

EXECUTIVE SUMMARY:

The El Estero Wastewater Treatment Plant (El Estero) provides secondary treatment that meets all regulatory requirements, however, equipment needs to be replaced to provide

operational flexibility and energy efficiencies. Over the past few years, Brown and Caldwell (BC), through a competitive process, was selected and awarded contracts to evaluate and develop recommendations to improve the secondary treatment process, prepare preliminary design reports (PDR) and, most recently, provide final design services for the Secondary Process Improvements Project (Project).

A State Revolving Fund Installment Sale Agreement for \$20 million has been executed but does not cover the entire cost of design and construction through Project completion. Currently, the City is waiting on the First Amendment to increase the SRF Installment Sale Agreement to \$31,438,033. The State has not yet finished processing the loan amendment documents, but Staff has no indication the First Amendment to the SRF Installment Sale Agreement will not be forthcoming, and anticipates receiving the documents within 60 days. Once the loan documents have been received, Staff will return to Council for approval of an ordinance authorizing the First Amendment to the SRF Installment Sale Agreement.

Five bids were received for construction of the Project. Staff recommends that Council waive minor bid irregularities and award a contract to Stanek Constructors, Inc. (Stanek), the lowest bidder, for construction of the Project. Staff also recommends that Council authorize the Public Works Director to enter into contracts with MNS Engineers, Inc. (MNS), BC, and Dudek for professional services during the construction phase, and increase estimated revenues and appropriations in the Wastewater State Revolving Fund Loan Fund (SRF Fund) by \$2,506,426, for a total amount of \$31,438,033, to be funded by SRF loan proceeds.

DISCUSSION:

Background

El Estero processes approximately six million gallons of wastewater each day. It was originally constructed in 1952; however, a majority of El Estero's current infrastructure was constructed in 1978. While El Estero provides suitable secondary effluent quality to meet all regulatory requirements, the need to replace aging infrastructure was an opportunity to improve the consistency of secondary effluent, which is desired for recycled water treatment.

Although subsequent capital improvements have been made consistently in past years to maintain treatment quality, El Estero has had longstanding issues with highly variable secondary effluent quality, operational inflexibility, and energy inefficiency. On June 29, 2010, Council awarded a contract to BC to prepare an Assessment Report to evaluate and develop recommendations to improve the secondary treatment process. BC, working with staff, evaluated several alternative operational approaches for improving the secondary treatment process, which resulted in staff's recommendation to pursue the Project.

On October 11, 2011, Council awarded a contract to BC to prepare a PDR for the Project, and subsequently awarded a contract for a second phase PDR on January 15, 2013. Combined, these two PDRs formed the basis for final design.

On September 9, 2014, Council awarded a contract to BC for Phase I of the final design for the Project. At that time, the City had initiated an application for a SRF loan to finance design and construction of this Project, and anticipated an executed agreement with the State of California within a few months. The SRF Installment Sale Agreement was later executed, and Phase 2 of the final design was awarded to BC on December 16, 2014.

Project Description

The work consists of modifications to El Estero's secondary treatment process to a nitrification/denitrification system, upgrades to the existing aeration and secondary clarifier sludge withdrawal systems, and implementation of nitrate return to address odor control issues and clarifier performance issues.

The nitrification/denitrification process will produce a more stable secondary effluent, create higher-quality process water for subsequent production of recycled water, and will yield a higher quality of treated effluent discharge into the Pacific Ocean.

Contract Bids

A total of five bids were received for the subject work, ranging as follows:

	BIDDER	BID AMOUNT
1.	Stanek Constructors, Inc. Escondido, CA 92029	\$21,710,000
2.	Shimmick Construction Irvine, CA 92618	\$23,885,000
3.	Kiewit Infrastructure West Co. Santa Fe Springs, CA	\$24,940,000
4.	C.W. Roen Construction Co. Danville, CA 94526	\$24,946,000
5.	Cushman Contracting Corporation Goleta, CA 93116	\$27,490,000

The low bid of \$21,710,000, submitted by Stanek, is an acceptable bid that is responsive to and meets the requirements of the bid specifications.

The change order funding recommendation of \$2,171,000, or ten percent, is recommended for this Project due to its complexity.

BID PROTEST

On November 24, 2015, the City received a letter from Shimmick Construction Company, Inc. (Shimmick), protesting the award of the Project to the apparent lowest bidder, Stanek. Shimmick's protest letter alleged that Stanek's bid was non-responsive because Stanek failed to submit a completed Bidder's List in its initial bid package, and incorrectly listed non-Disadvantaged-Business-Enterprise (DBE) subcontractors on Environmental Protection Agency (EPA) Forms 6100-3 and 6100-4. Stanek responded to the protest in writing on December 2, 2015, arguing that the omissions were inconsequential and should be waived by the City. Staff reviewed the items set forth in Shimmick's bid protest and found that the deviations contained in Stanek's bid are minor irregularities that may be waived by the City. On January 12, 2016, Council rejected the bid protest of Shimmick.

Construction Phase Contract Services

Staff recommends that Council authorize the Public Works Director to execute a contract with MNS in the amount of \$2,490,300, for construction management services, and approve expenditures of up to \$249,030 for extra services that may result from necessary changes in the scope of work. The extra services funding recommendation of 10 percent is typical for this scope of work. MNS was selected by a Request for Proposal (RFP) process and is experienced in this type of work.

Staff recommends that Council authorize the Public Works Director to execute a contract with BC in the amount of \$1,655,108 for design support services during construction, and approve expenditures of up to \$165,510 for extra services that may result from necessary changes in the scope of work. The extra services funding recommendation of 10 percent is typical for this scope of work. BC designed the Project and is experienced in this type of work.

Staff recommends that Council authorize the Public Works Director to execute a contract with Dudek in the amount of \$62,211.16 for environmental monitoring and support services, and approve expenditures of up to \$6,221 for extra services that may result from necessary changes in the scope of work. The extra services funding recommendation of 10 percent is typical for this scope of work. Dudek was selected by an RFP process to prepare environmental studies for the Project and is experienced in this type of work.

Due to the overall magnitude and complexity of the Project, construction phase contract services include additional consultant support that is generally not included in routine capital improvement projects. Some of these additional services include processing and coordination of SRF documents; operational support including startup and operator training, operation and maintenance manual updates, support with populating asset records and maintenance tasks into El Estero's work order management system; design

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of an alkalinity facility; and additional coordination and support during critical phases of work. This two year construction project will be challenging to successfully deliver without these additional consultant services, as El Estero must continue to process wastewater while major construction occurs at the heart of its treatment process.

Funding

On September 16, 2014, Council adopted an ordinance authorizing the approval and execution of the SRF Installment Sale Agreement for the Project. The SRF Installment Sale Agreement was for a 20-year loan, in the maximum amount of \$20 million, at an interest rate of 1.9 percent. As part of the SRF process, the City adopted several resolutions and one ordinance. City Council Resolution No. 13-009, allows reimbursement for certain expenditures made prior to the final approval of the SRF Installment Sale Agreement. The City Council amended Resolution No. 13-009 on December 8, 2015 in recognition that the City intended to apply for an increase to the loan for a maximum principal amount of \$35 million and authorize reimbursement of expenditures. Staff has submitted a Final Budget Approval to the State to amend the SRF Installment Sale Agreement amount based on actual expected costs, rather than budgetary costs that the City provided during the initial SRF process. The City is waiting on the State to process the First Amendment to the SRF Agreement. This is anticipated within the next few months and staff will return to Council to authorize an ordinance to amend the SRF Installment Sale Agreement.

Through the budget process, \$28.9 million has been appropriated for design and construction of the Project; however, the SRF Installment Sale Agreement is currently at a \$20 million maximum principal until the First Amendment to the SRF Installment Sale Agreement is executed. Therefore, staff recommends increasing the estimated revenues and appropriations in the SRF Fund by \$2,506,426 to construct the Project. There are no indications that the First Amendment to the SRF Installment Sale Agreement will not be forthcoming and, in fact, City staff has received verbal assurances from the State that it is in process. In the event the First Amendment is not approved, there would be a funding gap of \$11,438,033. In this case, staff would return to Council with a proposed funding strategy, such as the issuance of bonds, to fully fund the \$11,438,033 Project deficit. Given the two year construction period, it will be at least a year before the original \$20 million SRF funding is exhausted, giving Staff time to consider alternate project funding if necessary. The following summarizes the expenditures recommended in this report:

CONSTRUCTION CONTRACT FUNDING SUMMARY

	Basic Contract	Change Funds	Total
Stanek	\$21,710,000.00	\$2,171,000.00	\$23,881,000.00
MNS	\$2,490,300.00	\$249,030.00	\$2,739,330.00
BC	\$1,655,108.00	\$165,510.00	\$1,820,618.00
Dudek	\$62,211.16	\$6,221.00	\$68,432.16
TOTAL RECOMMENDED AUTHORIZATION			\$28,509,380.16

The following summarizes all Project design costs, construction contract funding, and other Project costs:

ESTIMATED TOTAL PROJECT COST

**Cents have been rounded to the nearest dollar in this table.*

Assessment Report (by Contract)	\$267,820
Project Administration (by Staff)	\$40,646
Assessment Subtotal	\$308,466
Preliminary Design Report Phase 1 (by Contract)	\$398,886
Preliminary Design Report Phase 2 (by Contract)	\$285,136
Project Administration (by staff)	\$36,194
Environmental Review and Permitting	\$4,475
Preliminary Design Subtotal	\$724,691
Final Design Phase 1 (by Contract)	\$610,508
Final Design Phase 2 (by Contract)	\$867,551
Project Administration (by staff)	\$120,000
Constructability Review (by Contract)	\$34,100
Final Design Subtotal	\$1,632,159
Construction Contract	\$21,710,000
Construction Change Order Allowance	\$2,171,000
<i>Subtotal</i>	\$23,881,000
Construction Management/Inspection (by Contract)	\$2,739,330
Construction Support Services (by Contract)	\$1,820,618
Environmental Monitoring and Support Services (by Contract)	\$68,432
Other Construction Costs (permits)	\$20,000
Construction Management/Inspection (by City staff)	\$243,337
<i>Subtotal</i>	\$4,891,717
Construction Subtotal	\$28,772,717
TOTAL PROJECT COST	\$31,438,033

SUSTAINABILITY IMPACT:

This Project will improve water quality for both recycled water production and treated effluent discharge into the ocean. It will also provide for more energy efficient equipment

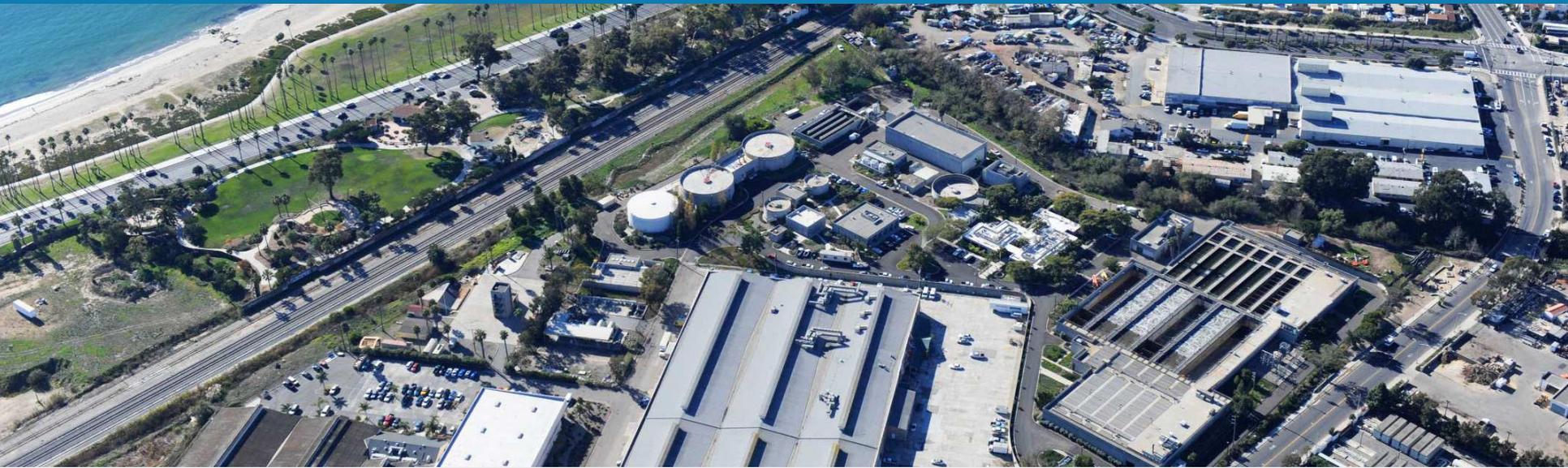
at El Estero as the blowers, the number one energy demand for El Estero, will be updated to a more energy-efficient model.

At its meeting on January 21, 2016, the Board of Water Commissioners voted 5-0-0 to concur with staff's recommendation to increase the estimated revenues and appropriations in the SRF Fund and construct the Project.

PREPARED BY: Lisa Arroyo, Wastewater System Manager/mh

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



PUBLIC WORKS DEPARTMENT

WATER RESOURCES DIVISION

SECONDARY PROCESS IMPROVEMENTS PROJECT

Award of Construction Contract

Project Overview

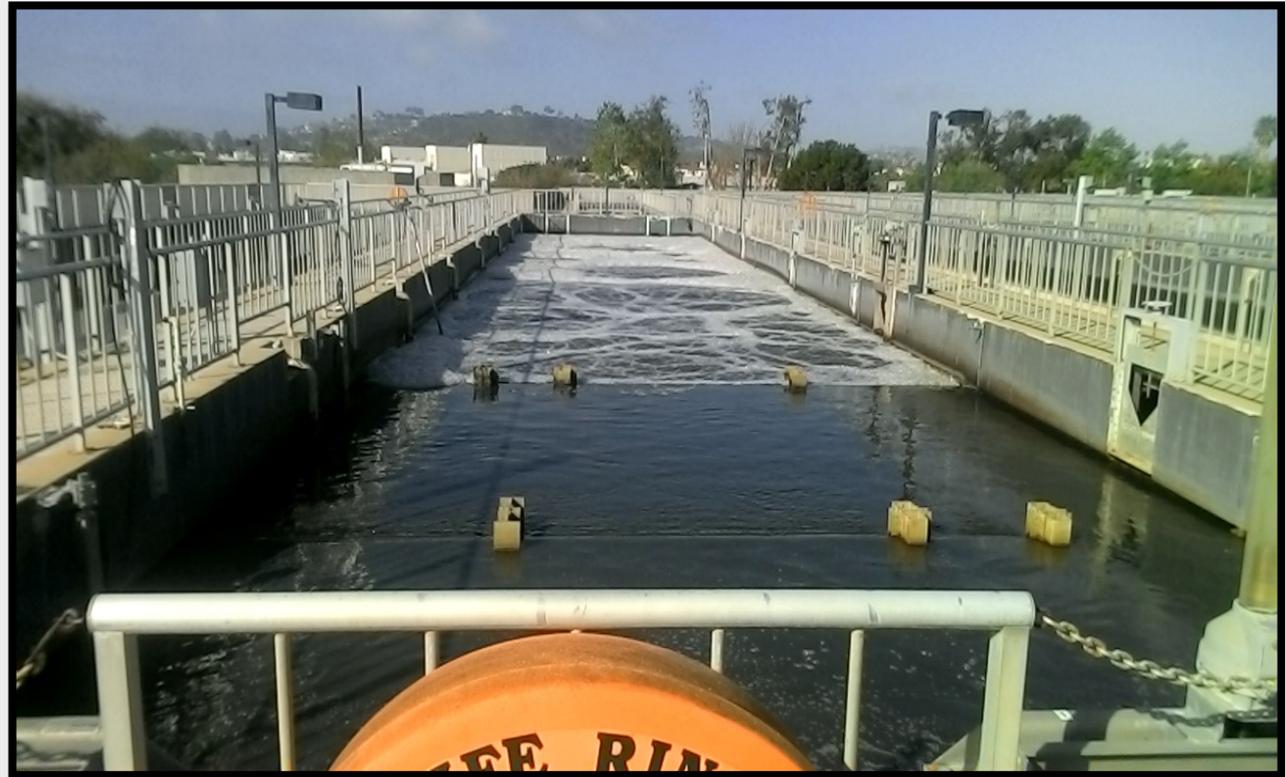
Purpose & Goals

Project Highlights

Cost Summary

Timeline

Recommendations



Project Purpose

Stabilize Secondary
Effluent Quality



Project Goals

Replace Aging
Equipment

Increase Energy
Efficiency

Improve Flow
Distribution

Increase
Operational
Flexibility





Project Highlights



Loan Amendment

Chemical Storage Area

Electrical Work

Alkalinity Facility

Contaminated Soils
Contingency

Consultant Support



Cost Summary

\$20M SRF Installment Sale Agreement

Assessment Phase	\$308K
Planning Phase	\$725K
Final Design	\$1.6M
Construction (w/CO)	\$23.9M
*Construction Management	<u>\$4.9M</u>

Total Project Cost \$31.4M

**Construction Management includes Operational Support*

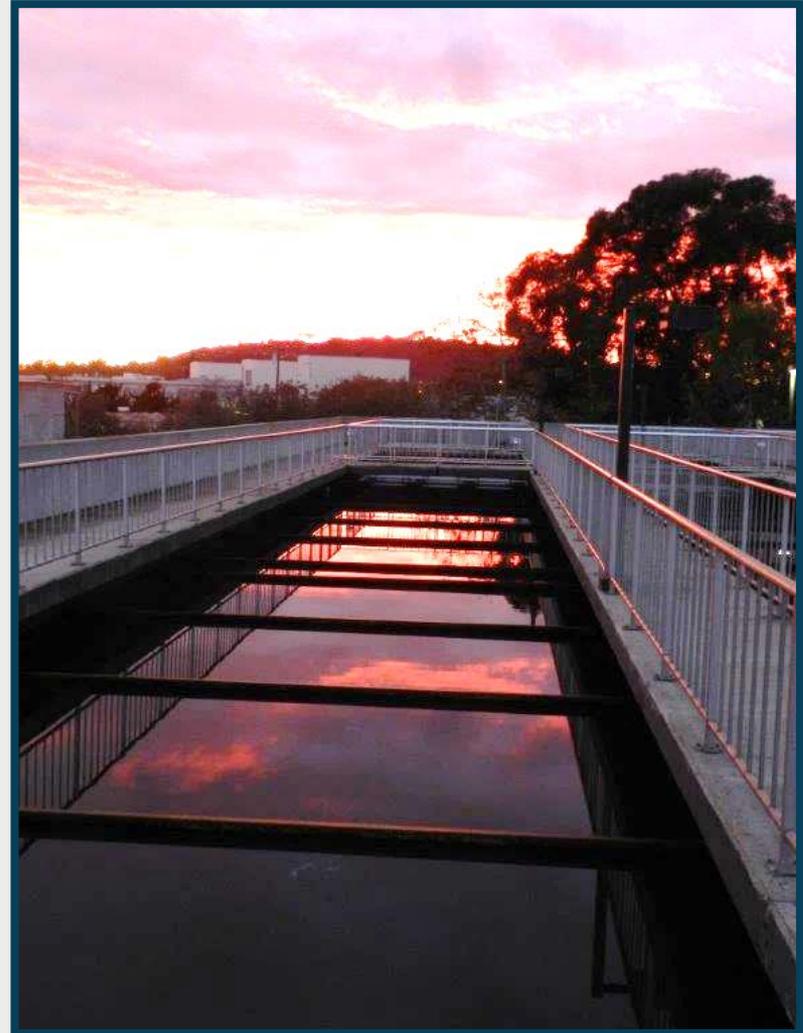
Project Timeline

March 2016
Award Construction
Contract

May 2016
Start Construction

May/June
Approve SRF Amendment

Summer 2018
Project Complete



Recommendations

- Increase Revenues and Expenditures
- Award Construction Contract to Stanek
- Authorize Professional Services Contracts
 - MNS Engineers
 - Brown & Caldwell
 - Dudek

Project Highlights

New Chemical Area

Aeration System

Secondary Clarifiers

Replace Pumps and
Pipes



New Chemical Storage Area



Aeration System Improvements



Replace Blowers

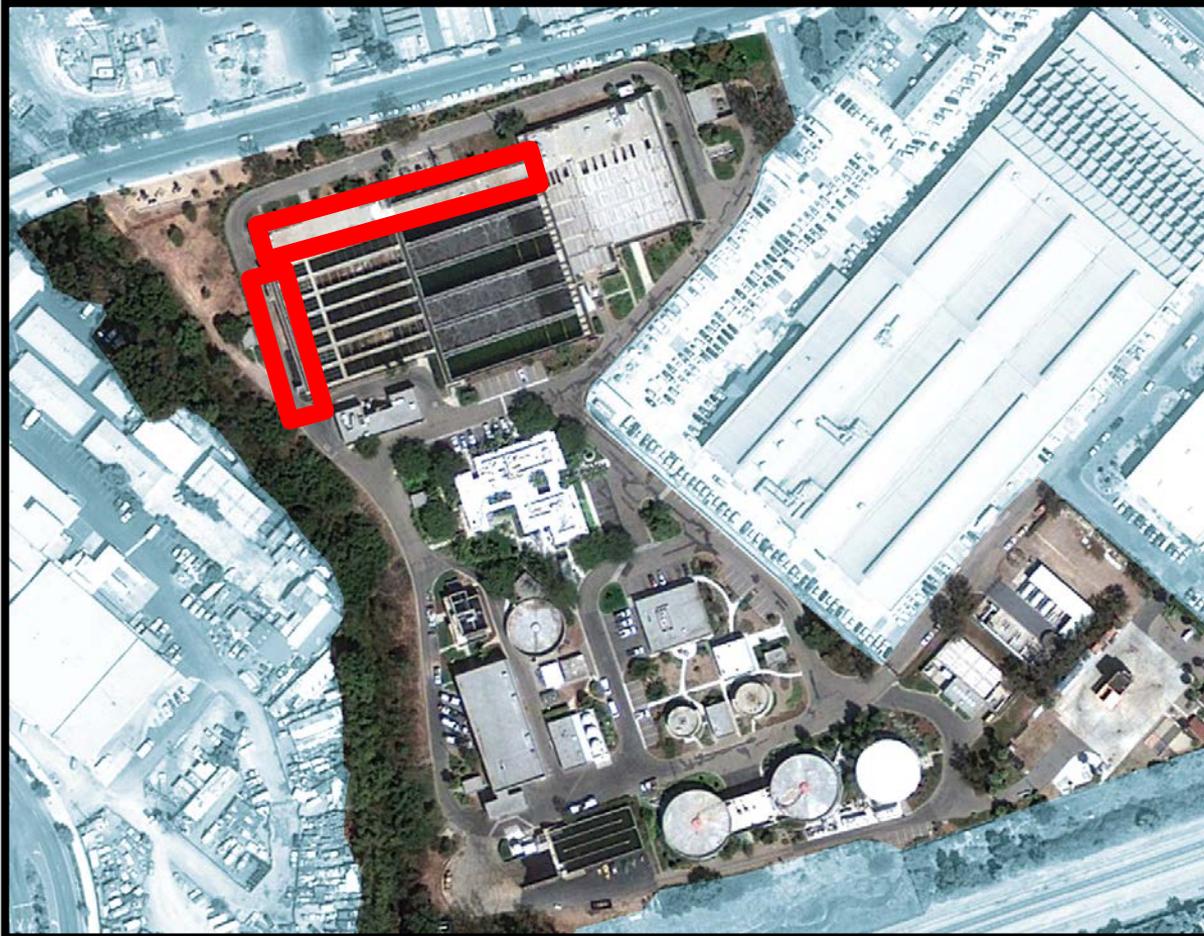
- Replace Aging Infrastructure
- Provide Operational Flexibility
- Improve Energy Efficiency



Secondary Clarifier Improvements



Replace Pumps and Pipes



Questions?

