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Title: Approve construction Change Order No. 1 for the City of Fresno's 80-Million Gallon per Day Southeast Surface Water Treatment Facility to reduce the lump sum scope of work by \$1,153,313, establish a \$1,000,000 Supplemental Work Payment line item, and add a value-engineering procedure to the Contract (Citywide).

Sponsors: Department of Public Utilities

Indexes:

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Attachments: 1. Change Order No 1.pdf

Date	Ver.	Action By	Action	Result
3/31/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

March 31, 2016

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities

BY: MICHAEL CARBAJAL, Division Manager
Department of Public Utilities - Water Division

SUBJECT

Approve construction Change Order No. 1 for the City of Fresno's 80-Million Gallon per Day Southeast Surface Water Treatment Facility to reduce the lump sum scope of work by \$1,153,313, establish a \$1,000,000 Supplemental Work Payment line item, and add a value-engineering procedure to the Contract (Citywide).

RECOMMENDATIONS

Staff recommends that City Council approve construction Change Order No. 1 for the City of Fresno's (City's) Southeast Surface Water Treatment Facility (Project) to reduce the lump sum scope of work by \$1,153,313, establish a \$1,000,000 Supplemental Work Payment line item, and add a value-engineering procedure to the Contract.

EXECUTIVE SUMMARY

On November 19, 2015, City Council awarded a contract to W.M. Lyles Company (Lyles) for construction of the City's Southeast Surface Water Treatment Facility (Project) in the amount of \$158,766,000. Notice to Proceed (NTP) with construction was issued on December 31, 2015. Subsequent to issuing the NTP, the Department of Public Utilities (DPU) staff has negotiated with the Contractor to reduce the scope for the City's temporary Construction Management office facilities for a savings of \$1,153,313. DPU will allocate \$1,000,000 of the cost reductions to create a Supplemental Work Payment line item for the Project, and allocate \$153,313 to reducing the value of the construction contract. In addition, to encourage further contractor initiated value-engineering savings, a value engineering procedure will be added to the Contract. This Change Order does not modify contract time, and all additional work and change orders required for the Project will be subject to review and consideration by the Capital Projects Oversight Committee.

BACKGROUND

The Project is a key component of the City's Recharge Fresno Water Program. Time is of the essence for bringing this new surface water source on line since it will ultimately reduce the City's reliance on pumped ground water.

On September 10, 2015, the City Council approved acceptance of a \$195,489,000 SRF Low Interest Loan through the State Water Resources Control Board for construction of the Facility. The construction contract for the Project is fully funded through this loan.

Lyles, a Fresno-headquartered company, submitted the low-bid price of \$158,766,000 on October 13, 2015, and a Contract to construct the Project was awarded to them as the lowest responsive and responsible bidder on November 19, 2015. A formal NTP was issued on December 31, 2015.

Timely Project Completion

Since time is of the essence on this Project, DPU staff has been working closely with the Lyles to finalize the Project construction schedule to ensure completion of the Project on time and within budget. The City expects to finalize the Project construction schedule during April 2016, which will set and establish the sequence of events required to complete construction.

A project of this size and complexity will involve many and varied disciplines, trades, heavy equipment mobilizations and demobilizations, material deliveries, equipment deliveries, and supply deliveries. Lyles will develop a detailed schedule that will sequence the timing for all the people and resources required to complete the Project during the 36-month construction schedule. One of the City's key responsibilities during construction will be to support the Lyles' schedule by making timely decisions and providing clear direction in the field when changes in the work are encountered (unforeseen site conditions, unforeseen conflicts, etc.). If the City is unable to provide timely direction to Lyles when changes in the field are encountered, that may disrupt the Lyles' sequencing plan for mobilizing and demobilizing people and resources to the Project site. Such disruptions could result in delaying Project completion, and Lyles may submit a monetary claim for delaying the progress on the work. On a project of this size and complexity, and in order to keep the project on schedule, the City has a responsibility to provide timely decisions and clear direction when unforeseen conditions are encountered on the Project site.

Supplemental Work Payment Item

Despite the best intentions, diligence, and discipline of City staff, design engineers, and contractors to complete the work of a capital project in accordance with the construction documents, there are always occasions when changes to the work must be adopted by the City and executed by Lyles in response to changed site conditions; changed working conditions or requirements; unforeseen construction conflicts; and similar issues.

For cost control and schedule control purposes, when such changes to the work must be adopted by the City, it is imperative that construction continue to proceed as intended to minimize delays that can result in construction scheduling, sequencing, and coordination interruptions for Lyles - all of which can result in construction claims against the City and delays to project completion. The Supplemental Work Payment Item is the City's standard approach for authorizing a contractor to perform additional work, with written authorization and on an expedited basis, in response to changed conditions encountered during construction. Supplemental Work shall be performed only upon direct written authorization from the Director of Public Utilities.

The Supplemental Work Allowance **shall not** be used to authorize the contractor to perform additional work that results in:

1. New work (new facilities, equipment, systems, furnishings, finishes, etc.) that is not required to appropriately and properly construct the original work as shown in the construction documents, or
2. Work that further improves, upgrades, or enhances the original work as shown in the construction documents.

All Supplemental Work Items authorized by the Director of Public Utilities shall be presented to the Capital Projects Oversight Committee (Committee) during their regularly scheduled meetings to keep the Committee apprised of the progress of work and use of the Supplemental Work Payment Item. Once the Supplemental Work has been completed by the Contractor to the satisfaction of the City, the City shall proceed with the preparation of a Change Order to increase the value of the original Construction Contract to reflect the changed conditions. Prior to bring such change orders to the City Council, the Change Orders will first be presented to the Capital Projects Oversight Committee for their review and consideration.

In accordance with the Construction Management Act, any single change order or cumulative change orders exceeding \$1 million or 10-percent of the approved project budget (\$158,766,000) shall be brought to the City Council for approval.

Recommendation

DPU staff recognizes that timely authorization and processing of required changes to the work, due to unforeseen conditions and conflicts, is critical to maintaining the Project schedule and budget. DPU has negotiated a cost-reduction of \$1,153,313 with Lyles, and recommends establishing a \$1,000,000 Supplemental Work Payment Item in the Contract to support timely authorization and processing of required changes to the work. The cost-reductions negotiated with the Contractor were for temporary construction trailer facilities, and the cost-reductions do not change the quality, character, or nature of the work required for the SESWTF. All Supplemental Work authorized by the DPU Director will be presented to the Capital Projects Oversight Committee during their scheduled

meetings for review and consideration.

ENVIRONMENTAL FINDINGS

Action related to establishing a Supplemental Work Payment line item in the Contract is not a “project” for the purposes of the California Environmental Quality Act (CEQA), as it is a funding mechanism or other government fiscal activity, and does not involve commitment to any specific project which may result in a potentially significant physical impact on the environment as contemplated by CEQA Guidelines Section 15378(b).

LOCAL PREFERENCE

Local preference was not implemented because this action pertains to an existing construction contract.

FISCAL IMPACT

There is no impact to the General Fund since this work is be funded by the State Revolving Fund Low Interest Loan through the State Water Resources Control Board.

Attachment:
Change Order No. 1