



# Santa Clara Valley Water District

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**File No.:** 19-0675

**Agenda Date:** 8/13/2019

**Item No.:** 3.1.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Approve Amendment No. 1 to Agreement No. A4242G with Cordoba Corporation for Executive Project Management Services for the Rinconada Water Treatment Plant Reliability Improvement Project, Project No. 93294057, CAS File No. 4953, Increasing the Fee by \$14,538,220, Resulting in a Revised Total Fee of \$14,763,120, and Extend the Agreement Term to July 2021 (Los Gatos) (District 7).

### **RECOMMENDATION:**

Approve Amendment No. 1 to Agreement No. A4242G with Cordoba Corporation for executive project management services for the Rinconada Water Treatment Plant Reliability Improvement Project, Project No. 93294057, increasing the fee by \$14,538,220, resulting in a revised total fee of \$14,763,120, and extend the Agreement term to July 2021.

### **SUMMARY:**

Construction of the Santa Clara Valley Water District's (Valley Water) Rinconada Water Treatment Plant Reliability Improvement Project (Project) was initiated to increase plant reliability to meet peak summer demands, update technology, and implement process improvements.

In late 2018, due to the Project's circumstances of significant construction delays, poor workmanship, and failure of the construction contractor to comply with Contract Documents, Valley Water staff undertook a streamlined process to hire a firm with water treatment and infrastructure project management expertise to objectively assess the issues relating to late completion by the contractor; to recommend strategies to progress the Project; to attain, at a minimum, completion of Phase 2 (of 5 phases) by the current construction contractor; and to provide construction management expertise, as needed, for the Project.

Valley Water executed Agreement A4242G (Agreement) with Cordoba Corporation (Consultant) in February 2019 for executive project management services for the Project for a not-to-exceed fee of \$224,900. This Agreement also included scope for construction management (CM) services, with the level of effort and correlating compensation amount for this work to be determined after the Consultant performed its initial analysis of the Project status and made recommendations for next steps to achieve Project completion.

Staff is recommending Board approval of Amendment No. 1 to this Agreement which will extend the

Agreement term to July 2021 and encompasses executive project management and an expanded construction management role for a not-to-exceed (NTE) fee of \$14,538,220.

### ***Project Background and Previous Board Actions***

Built in 1968 and located in Los Gatos, the Rinconada Water Treatment Plant (RWTP) is one of three district conventional water treatment plants. The RWTP has the capacity to provide up to 80 million gallons of treated water per day (MGD) to the west side of the district's service area, which includes a population of about one million people. The Project will implement treatment process improvements to enable the plant to produce potable water that complies with current and anticipated state water quality regulations. The Project will also improve overall plant reliability by increasing its treatment capacity to 100 MGD.

On September 9, 2014, in advance of anticipated Project construction, the Board approved Agreement No. A3768A with HDR Engineering, Inc. for the Project's Construction Management (CM) services. The approved initial NTE fee for this Agreement was \$9,120,068 for the first two-year period of Project construction. Valley Water's intent was to evaluate performance and exercise the option to extend the term of the Agreement through the end of Project construction.

On May 26, 2015, the Board awarded a \$179,850,000 construction contract (Contract) to Balfour Beatty Infrastructure, Inc. (BBII). The Contract provided for the Project to be built in five phases within a 5-year period. The existing Rinconada Water Treatment plant (RWTP) is to remain operational during the entire construction period, with the newly-constructed facilities and upgrades integrated with plant operations at the end of each phase.

On August 22, 2017, consistent with the original intent, the Board approved Amendment No. 2 to Agreement A3768A with HDR Engineering, Inc. for a revised total NTE fee of \$33,376,676 and extended the Agreement term from September 30, 2017 to September 30, 2021.

At the Board's September 25, 2018 meeting, staff reported on the Project's status, describing the delay in the construction schedule for completion of Phase 2; the extensive formal correspondence staff initiated with BBII in June, 2018; the significant defects in BBII's workmanship; and BBII's lack of diligence to progress the Contract work.

On September 26, 2018, Valley Water provided BBII with notice of assessment of liquidated damages and notice that it would withhold liquidated damages against approved progress payments beginning with the September 2018 progress payment. Valley Water has assessed approximately \$15.6 million in liquidated damages through March 31, 2019, and has withheld approximately \$5.8 million from BBII's progress payments through March 31, 2019.

### ***Consultant Selection Process***

In late December 2018, staff solicited interest and availability for EPM services from six consultant firms with such expertise. The list was developed by executive management staff based on their knowledge of firms' services on construction projects undertaken by other public agencies within the

San Francisco Bay area.

Of the six firms that were contacted, four expressed interest but did not have staff resources available to immediately begin work and/or dedicate adequate time to this Project. Staff prepared interview questions, and on January 5, 2019, convened an interview panel to interview the two candidate firms who had expressed interest and confirmed their immediate availability. The interview panel consisted of four Valley Water staff and two staff from external agencies. The panel identified Cordoba Corporation as the best choice for the immediate EPM services and potential construction management services thereafter.

***Consultant Work Performed to Date***

As described earlier, Valley Water executed Agreement A4242G (Agreement) with Cordoba Corporation (Consultant) in February 2019 for executive project management services for the Project for a not-to-exceed fee of \$224,900. This Agreement included scope for construction management (CM) services, with the level of effort and correlating compensation amount for this work to be determined after the Consultant performed its initial analysis of the Project status and made recommendations for next steps to achieve Project completion.

During the past five months, the Consultant has performed a “deep dive” to ascertain the Project’s construction history, current status, and actions taken by Valley Water and its consultants to enable the Project to be built. The Consultant has also assembled a team of construction management (CM) staff to provide CM services, as needed, for the Project.

In parallel with the Consultant’s efforts, Valley Water management has implemented changes in the Project’s leadership and organizational structure. During the next several months, a transition of roles and responsibilities will occur as the Consultant’s team takes responsibility for the key CM tasks for this Project. The role of HDR Engineering, Inc., who has been performing CM work since Project construction began in 2015, will be significantly reduced. An amendment is currently being prepared to document the reduction in scope and correlating revision to the NTE fee of that Agreement.

***Amendment No. 1 to Agreement A4242G***

Amendment No. 1 to Agreement A4242G with Cordoba Corporation will increase the not-to-exceed fees for all the originally-listed tasks and extend the term of the Agreement from October 31, 2019 to July 31, 2021. A summary of the tasks and fees for the recommended Amendment No. 1 is presented in Table 1.

**Table 1. Summary of Cordoba Corporation Executive Project Management and Construction Management Services Agreement Tasks and Fees**

Task	Description	Not-to-Exceed (NTE) Fees
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		Original Agreement	Amendment No. 1	Revised Total
1	Project Management and Coordination	\$10,000	\$701,866	\$711,866
2	Workshops and Transition Services	\$8,500	\$122,800	\$131,300
3	Construction Management	\$60,000	\$7,604,744	\$7,664,744
4	Inspections, Special and Specialty Inspections	\$18,000	\$2,758,857	\$2,776,857
5	Safety Management	\$10,000	\$71,677	\$81,677
6	Training, Testing, Start-up and Commissioning	\$18,000	\$1,304,006	\$1,322,006
7	Public Outreach and Neighborhood Communications	\$5,000	\$200,000	\$205,000
8	Partnering, Claims, and Dispute Management	\$60,000	\$270,705	\$330,705
9	Acceptance and Contract Close-Out	\$10,000	\$110,248	\$120,248
10	Supplemental Services	\$25,400	\$1,393,317	\$1,418,717
	<b>Total Not-to-Exceed Fees</b>	<b>\$224,900</b>	<b>\$14,538,220</b>	<b>\$14,763,120</b>

**FINANCIAL IMPACT:**

The NTE fee for Amendment No. 1 to Agreement A4242G with Cordoba Corporation is \$14,538,220, resulting in a total NTE fee of \$14,763,120 for Project construction management services through July 2021.

As stated earlier, the role of HDR Engineering, Inc., who has been performing CM services since Project construction began in 2015, will be significantly reduced. Approximately \$15.8 million in unspent fees remain in HDR’s current agreement. HDR’s agreement will be modified to reduce most of these fees and return them to the Project’s budget to cover the cost of Cordoba Corporation’s efforts for the next two years.

There are adequate funds in the Project’s Board-approved FY2019-20 Budget to encumber the planned FY20 expenditures for this Agreement. Planned encumbrances in future fiscal years will be budgeted on an annual basis.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Amendment No. 1

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**UNCLASSIFIED MANAGER:**  
Katherine Oven, 408-630-3126