



Memorandum

07-12-16

To: Karl Hagerman, Acting Borough Manager

From: Chris Cotta, Assistant Public Works Director

Re: Pump Station 1 and Force Main Upgrade Phase 1 (RSA 68112), Change Order No. 2

In 2015, the Alaska Department of Transportation (DOT) began construction on the rehabilitation of South Nordic Drive. As part of this project, Petersburg Borough had previously engaged DOT to perform some sewer upgrade work via Reimbursable Services Agreement (RSA). Improvements in the agreement included installation of a new sewage force main in the S. Nordic right-of-way, and some related gravity sewer upgrades. The original RSA was for \$1,127,202 based on engineer's estimates for the work. This amount was adjusted down to \$1,099,908 by Change Order No. 1 after SECON's winning bid came in lower than expected.

During construction, several issues arose that resulted in extra cost to the project, as follows. These costs are also presented in the attached change order summary:

1. While excavating for the gravity sewer improvements, a lot more organic material was encountered than anticipated. This material had to be removed and disposed of, and replaced with rock fill. There was approximately 1371 tons of additional imported fill (Borrow, Type A) which resulted in extra cost of \$41,116.
2. The sanitary sewer services to be reconnected during the work were anticipated to be 4" in size and most turned out to be 6". This resulted in an extra cost of \$23,380 to obtain and install 6" materials instead of 4".
3. There were 2 instances in which the contractor was delayed due to field conditions not matching up with the plans. One was due to the 6" sewer connection issue above; the other was when the gravity main coming into sanitary sewer manhole number 8 was found to be lower than expected. Both of these issues caused the contractor lost time while engineers and project managers figured out how to address the problems. These delays resulted in additional cost of \$1,957.
4. Flagging costs increased as a result of several factors, most notably that the work took SECON longer than anticipated to complete. They asked for and were granted a deadline extension, and the extra time caused their flagging crews to be on the jobsite for more hours. Because of the way DOT contracts are structured, flagging costs are billed based on actual hours and do not necessarily correlate with the bid amount. DOT initially asked the Borough to pay \$43,992 in extra flagging costs. The Borough negotiated this down to \$16,500.

Public Works Department

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5. ICAP is an overhead cost of DOT that is figured based on a fixed percentage of the value of work contained within an RSA. Because the value of the RSA is increasing via the change order items above, the ICAP amount will also increase by \$3,658.

Total amount of Change Order No. 2 as described above is \$86,611. This is less than DOT's initial request of \$124,527 which the Borough felt was excessive. The reduced amount is the result of some lengthy negotiations and several much appreciated concessions by DOT. After thorough review, Public Works agrees with the \$86,611 change order cost. This amount can be taken from project contingency funding, and will not require any increase to the project budget. All project funding is being provided by ADEC in the form of a grant (which covers 70%) and a loan (which covers the remaining 30%). No grant or loan increases will be needed in order to fund this change order request. If Change Order No. 2 is approved, the total amount of RSA 68112 will increase to \$1,186,519.

If you agree with the proposed change order as described above, please present it to the Borough Assembly for consideration at their next regular meeting on July 18, 2016. I'll be present at the meeting to answer any questions that may be forthcoming. Thank you.

Attachment: Change Order No. 2 summary (3 pages)