

CITY OF YUBA CITY
STAFF REPORT

Date: April 16, 2019
To: Honorable Mayor & Members of the City Council
From: Public Works Department
Presentation by: Benjamin Moody, Interim Assistant Public Works Director

Summary

Subject: Contract Contingency Analysis
Recommendation: Direct staff to provide specific contingency requests for each City improvement project.
Fiscal Impact: None at this time.

Purpose:

To maximize cost-effectiveness and project efficiency of City improvement projects.

Background:

Historically for Capital Improvement Program (CIP) and other public projects, the Public Works Department has followed a 10 percent standard when requesting and encumbering contingency amounts. Staff has reviewed recent construction awards for neighboring Cities of Lincoln, Woodland, Roseville, and West Sacramento. All of the surveyed cities have used this 10 percent standard on average, with exceptions made for specific funding or project concerns.

Analysis:

Upon Council's request, the Public Works Department analyzed the amount of contingency funds that have been spent on City projects with the default 10 percent contingency for a 10 year period with various funding sources. On average, 4.1 percent of the contingency was utilized on these projects. Typically, the 10 percent contingency is sufficient to allow for variances in actual construction costs and project change orders.

However, there may be cost savings or project efficiencies that could be capitalized on if customized contingency amounts were authorized per the individual project. It is staff's intent to evaluate the project bids and resulting contingency requests and encumber said anticipated amount, rather than defaulting solely to 10 percent. In cases where the contract is to be brought to Council for award, staff will provide additional information for the requested contingency amount as determined by the evaluation.

Fiscal Impact:

No additional fiscal impact is determined at this time. Encumbering varying contingency amounts, rather than a standard 10 percent, may provide cost savings or project efficiencies in the future.

Alternatives:

Request staff develop a formal contingency policy establishing specific contingency dollar thresholds for various project types.

Recommendation:

Direct staff to provide specific contingency requests for each City improvement project.

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