



City Council Staff Report

Date: March 16, 2011

CONSENT CALENDAR

Subject: APPROVAL OF A NOTICE TO PROCEED FOR VEOLIA WEST OPERATING SERVICES, INC., FOR THE CONSTRUCTION PHASE OF THE ELECTRICAL SYSTEM UPGRADE, CITY PROJECT 09-03

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

Approval of this item will authorize Veolia West Operating Services, Inc., ("Veolia") to proceed with construction of an overall electrical system upgrade at the City's wastewater treatment plant.

RECOMMENDATION:

Authorize the Director of Public Works/City Engineer to issue a Notice to Proceed for Veolia West Operating Services, Inc., in the amount of \$4,365,513 for the construction phase of the Wastewater Treatment Plant Electrical System Upgrade, City Project No. 09-03, inclusive of a pre-approved 10% construction contingency.

STAFF ANALYSIS:

The City and Veolia continue to coordinate on various capital improvement projects at the City's Wastewater Treatment Plant (WWTP). The WWTP was initially built in the 1950's with several upgrades during the 1980's. The electrical system, including the main power feed, motor control centers, and other components are 40 or more years old and have met their life expectancy. Upgrading the existing electrical system is the most critical and highest priority project of the WWTP capital improvement plan.

On October 6, 2010, the City Council authorized Veolia to solicit bids for the Wastewater Treatment Plant Electrical System Upgrade, City Project No. 09-03.

Previously, the City issued a Notice Inviting Statements of Qualifications ("SOQ") on March 24, 2009, on behalf of Veolia, requesting qualifications from contractors in the following trades: Scaffolding, Fencing, Earthwork, Paving, Demolition, Concrete, Metals, Coatings, Painting, Mechanical, HVAC and Electrical. To ensure a far-reaching and

broad solicitation, Notices for the SOQ were published in the following newspapers: The Desert Sun, The Orange County Register, the Press Enterprise and San Diego Union-Tribune. The deadline to submit qualifications was May 8, 2009, and at that time 29 firms submitted qualifications. After reviewing the submitted qualifications, 26 of the firms were pre-qualified for future wastewater capital projects.

For this project, given the scope relates to electrical systems and infrastructure, 17 of the 26 pre-qualified contractors were eligible to bid this project. On November 1, 2010, Veolia requested bids from the 17 prequalified contractors. A mandatory job-walk was held on November 12, 2010. Eight of the 17 prequalified contractors attended the mandatory job-walk and were subsequently eligible to submit a bid to Veolia. By the 2PM deadline of January 28, 2011, Veolia received bids from the following two pre-qualified contractors:

1. Davis Electric, Inc.; Yucaipa, CA; Bid Amount: \$2,841,842
2. Harbor Construction; Irvine, CA; Bid Amount: \$4,358,000

The final engineer's estimate for the construction items bid by Veolia was \$4,560,000 (or \$5.13 Million when including a 12.5% mark-up in accordance with the City's agreement with Veolia). The low bid submitted by Davis Electric is substantially lower than the engineer's estimate, which is a result of the contractor's current familiarity with the Palm Springs WWTP as a sub-contractor on the Digester No. 1 Rehabilitation project. The low bid also demonstrates that the current construction market remains competitive.

Veolia has submitted a proposal to the City for the construction phase of this project (reflecting the low bid submitted by Davis Electric). The final Veolia proposal as compared to the estimated costs reported to Council in October 2010 is summarized as follows:

<u>Item of Work</u>	<u>Estimated Cost</u>	<u>Final Cost</u>
1. Demolition, Site Work and Mechanical:	\$858,769	\$604,527
2. Electrical:	\$4,278,375	\$2,592,546
3. PLC Equipment:	\$51,514	\$44,417
4. SCE Costs:	\$67,743	\$64,233
5. Landscaping Repairs:	\$57,843	\$57,843
6. Professional Construction Services:	\$150,855	\$139,953 ⁽¹⁾
7. Veolia Integrated/Automated Services:	\$33,750	\$33,750 ⁽²⁾
8. Veolia Construction Management Services:	\$254,793	\$396,849 ⁽³⁾
9. Veolia General Liability Insurance:	<u>\$50,460</u>	<u>\$34,530</u> ⁽⁴⁾
Total:	\$5,804,102	\$3,968,648

(For Notes, see next page).

Notes:

- (1) Given the complexities of this project, direct involvement during construction by the professional engineering firms responsible for the design is required. Veolia has negotiated agreements with Carollo Engineers and IQA Solutions Inc. for engineering services; with CHJ Inc. for materials testing and inspection; and with SCEC for AQMD permitting services.
- (2) Veolia's separate Automation/Integration Group has been contracted to coordinate programming of all new electrical systems, new Programmable Logic Computers (PLCs) that operate new equipment, and to ensure all systems at the WWTP operate correctly with the WWTP's industrial control ("SCADA") systems.
- (3) Veolia's original estimate assumed a 6 month construction period. The construction schedule submitted by Davis Electric requires a 9 month construction period. Additional hours have been included in Veolia's final proposal to accommodate the extended construction period.
- (4) With any capital project undertaken at the WWTP, Veolia operates as the general contractor under its own contractor's license. As the general contractor, Veolia is responsible for ensuring all construction is performed in accordance with state and federal rules and regulations, and is liable for all risks and damages that may occur. Accordingly, Veolia obtains general liability insurance for each project, which is passed as a direct cost to the City at a rate of 0.87% of the overall cost of the project.

Local Business Preference Compliance

Section 7.09.030 of the Palm Springs Municipal Code, "Local Business Preference Program," requires prime contractors to use good faith efforts to sub-contract the supply of materials and equipment to local business enterprises and to sub-contract services to businesses whose work force resides within the Coachella Valley; submission of good faith efforts is required. Generally, this provision of the Municipal Code does not apply to Veolia, as the City's current agreement with Veolia gives Veolia the right to submit proposals for construction of capital projects at the WWTP as the City's general contractor. However, staff has advised Veolia to ensure local firms are provided an opportunity to participate in WWTP capital projects, and required Veolia to include the local business preference requirement in its solicitation of bids.

Included with Veolia's proposal are subcontracts with two local firms:

1. Randy Purnel Landscape Architects (RPLA) (Rancho Mirage, CA). RPLA will coordinate all required landscaping improvements as part of this project.
2. CHJ, Inc. (Palm Desert, CA). CHJ Inc. will provide all grading observation, compaction testing, materials inspection and testing services.

Also, the bid submitted by Davis Electric demonstrated good faith efforts to solicit local firms as part of its bid. Included with their bid were copies of advertisements with the Desert Sun on Nov. 18, 19, 20, 21, 24, 25, and 26.

Contingency Fund

Given the complexity of this project, it is recommended that a construction contingency of 10% be authorized. The suggested total authorized amount, inclusive of a 10% pre-approved contingency, is \$4,365,513

Summary

In accordance with Section 5.3(f) of the Amended and Restated Wastewater Services Agreement between the City and Veolia, Veolia is entitled to make a first proposal to do any Capital Project related to the wastewater treatment plant. The Agreement provides for a mark-up and profit margin varying between 12.5% and 16%. For this project, Veolia has proposed a 12.5% mark-up (the lowest mark-up available by contract) which is not applied to Veolia's own labor rates and general liability insurance cost.

Staff recommends that the Council authorize the Director of Public Works/City Engineer to issue a Notice to Proceed to Veolia in the amount of \$4,365,513 which is inclusive of a 10% pre-approved contingency fund.

FISCAL IMPACT:

Sufficient funds are available in account No. 420-6800-57022 (Electrical System Upgrade).

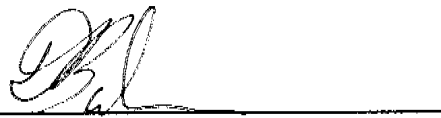
SUBMITTED:

Prepared by:

Recommended by:

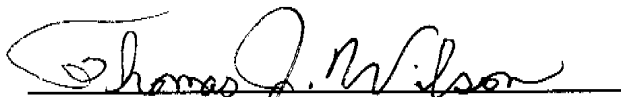


Marcus L. Fuller
Assistant Director of Public Works

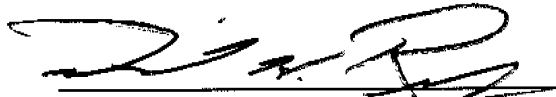


David J. Barakian
Director of Public Works/City Engineer

Approved by:



Thomas J. Wilson, Asst. City Manager



David H. Ready, City Manager