



City Council Staff Report

Date: May 6, 2009

CONSENT CALENDAR

Subject: APPROVAL OF AMENDMENT NO. 1 TO NOTICE TO PROCEED FOR VEOLIA WATER NORTH AMERICA-WEST, LLC, FOR THE FINAL DESIGN PHASE OF THE DIGESTER NO. 1 REHABILITATION, CITY PROJECT NO. 08-09.

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

Approval of this item revises the City's prior authorization to Veolia Water North America-West, LLC ("Veolia") to proceed with the completion of plans and specifications, and construction bidding, for the rehabilitation of Digester No. 1 at the wastewater treatment plant. Veolia's prior proposal involved a design-build approach; it is staff's recommendation that wastewater treatment plant projects use the typical design-bid-build approach to take advantage of the current construction market.

RECOMMENDATION:

Approve Amendment No. 1 to a Notice to Proceed authorized by the City Council on December 17, 2008, for Veolia Water North America-West, LLC, for an increase of \$290,626.48 for a total amount of \$743,000.14 for the design and bidding phase of the Digester No. 1 Rehabilitation, City Project No. 08-09.

STAFF ANALYSIS:

Previously, the City and Veolia coordinated the overhaul of the wastewater treatment plant Digester No. 2 system, which is now operating as the City's primary digester. Currently, the previously used primary digester (Digester No. 1) is not in operation. On December 17, 2008, the City Council approved a Notice to Proceed to Veolia in the amount of \$503,826 for advance acquisition of specified equipment and completion of design-build plans. This budgeted wastewater treatment plant Capital Project will overhaul Digester No. 1 similar to the recently completed Digester No. 2 project, such that both of the Digester systems are operational and on-line.

ITEM NO. 2.I.

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. This section of the Agreement specified the typical design-build approach to wastewater treatment plant capital projects, where Veolia would first: prepare 30% designs and estimated cost; and second: procure and bid based on subsequent designs and submit proposal for construction. This design-build approach for straightforward wastewater treatment plant projects proved too cumbersome for staff to implement, and removed the standard bidding process where competitive bidding ensures that the lowest, responsive and responsible bidder is awarded the contract.

As Veolia operates as the General Contractor on behalf of the City for wastewater treatment plant projects, under the design-build approach, Veolia solicits bids from sub-contractors for the specific trades required in a wastewater treatment plant project (such as mechanical plumbing work or electrical work). The City is not involved with and does not control Veolia's bidding process. The Director of Public Works and his staff were determined to ensure that Veolia's bidding process was as inclusive as possible, however, Veolia as the General Contractor assumes all risk and liability with wastewater treatment plant projects, and had concern with soliciting bids from inexperienced sub-contractors.

The Notice to Proceed authorized on December 17, 2008, included completing the design-build approach for the Digester No. 1 Rehabilitation. Subsequent to Council's authorization, staff continued to pursue a change in capital project management approach with Veolia, to move away from the design-build approach to the typical design-bid-build approach, as a way to address staff's concerns that Veolia's internal bidding process was not as inclusive as the City would expect or require. As City-Veolia discussions on this issue continued, an unexpected change in Veolia management occurred. The currently assigned Veolia management understands staff's concerns for using an inclusive bidding typical of the design-bid-build approach, and has agreed to implement the design-bid-build approach for the City's projects. Veolia still assumes all risk and liability with wastewater treatment plant projects under the design-bid-build approach which includes the design, construction and operational performance of each project.

Previous Veolia proposals for wastewater capital projects were based upon a Veolia derived margin which included markup, overhead and profit. Veolia agreed to modify their proposal methodology to be based upon a markup only for vendors, professional services and contractors. Veolia labor will be an all inclusive rate that accounts for overhead, profit and other direct costs such as office supplies, telecommunications and associated expenses. Veolia proposals include the numbers of hours per position for the individual projects being proposed so the City can review and request adjustment if necessary. With the new procedure in place for procurement of capital projects, Veolia reviewed the initial proposal associated with Digester No. 1 Rehabilitation. The result was a revised proposal associated with City Project # 08-09. The revised amount for

the initial phase of the project is \$452,373.65 versus the original approval project budget of \$503,826.00. This is a decrease of \$51,452.35.

Veolia has submitted an amended proposal to account for final engineering, additional engineering scope and bid services. The original Veolia proposal did not include preparation of final plans and specifications that are suitable for normal bidding, being equivalent to 60% level drawings suitable for design-build contracts. The amended proposal includes design services necessary to prepare final plans and specifications suitable for bidding, equivalent to 95% level drawings. The additional design fee is \$163,375 which includes markup, from Veolia's consultant, Carollo Engineers, and includes designing additional items for the project not previously included in the original proposal:

- 1) Adding a second boiler, to provide redundancy and reliability, such that each digester has its own boiler to provide required heating for wastewater treatment; and
- 2) Upsizing methane gas waste flare piping and valving, to be available for future replacement of the existing methane gas flare

Veolia's amended proposal also includes more hours for Veolia project management staff not previously included in this project. These hours are related to Veolia's coordination of the pre-qualification of sub-contractors for the City's wastewater treatment plant projects. Staff understood Veolia's concerns with using inexperienced or unqualified contractors for wastewater treatment plant projects, and suggested that the City and Veolia coordinate on a pre-qualification process. Subsequently, the City issued a Notice Inviting Statements of Qualifications ("SOQ") on March 24, 2008, 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 is May 8, 2009.

Upon receipt of the qualifications, the City will forward the qualifications to Veolia for review and approval. The approved, or pre-qualified, contractors will then create the pool of bidders with whom Veolia will solicit bids on all wastewater treatment plant projects. The additional Veolia labor of \$125,251.48 represents Veolia's estimated time to coordinate the pre-qualification of contractors for wastewater treatment plant projects, prepare bid packages and solicit bids from qualified contractors and was not included in the prior Veolia proposal. The labor associated with pre-qualifying contractors will not be required for future projects, as the list of pre-qualified contractors will be used for this and other future wastewater treatment plant projects conducted in the next three years.

Staff is greatly encouraged by Veolia's willingness to use the typical design-bid-build approach on the City's wastewater treatment plant projects to capitalize on the current

construction market which may result in significantly reduced construction costs for this and future wastewater treatment plant projects. The process also provides greater transparency of the procurement process and allows City staff to be involved in the various phases of each project.

Staff has reviewed Veolia's amended proposal, and recommends approval of the additional fee of \$290,626.48 which includes additional professional design fees for Veolia's consultants, additional Veolia labor fees for coordinating a pre-qualification process, and a 12.5% mark-up as authorized pursuant to the Agreement.

FISCAL IMPACT:

Sufficient funds are available in the Wastewater Treatment Fund Account No. 420-6800-57023 (Digester Rehab 1).

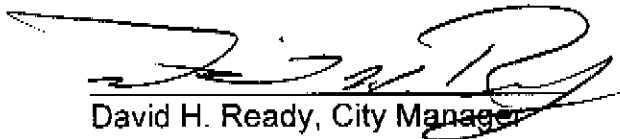
Submitted:



David J. Barakian
Director of Public Works/City Engineer



Thomas J. Wilson
Assistant City Manager



David H. Ready, City Manager

Attachments:

- 1) Veolia Proposal

CITY OF PALM SPRINGS

Project: Digester #1 Final Design and Bid Services

Project #: 3301700

Updated: 4/22/09

10 - CONSTRUCTION & PROFESSIONAL SERVICES						
	Description	TP 08-09(Revised)	Final Design & Bid Services			Revised Total
100	Demolition Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
101	Site Remediation Subcontractors	\$ 66,183.75	\$ -	\$ -	\$ -	\$ 66,183.75
102	Earthwork Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
103	Civil/Concrete Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
104	General/Building Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
105	Mechanical Installation Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
106	Electrical Installation Subcontractors	\$ 14,625.00	\$ -	\$ -	\$ -	\$ 14,625.00
107	Field Erected Tanks Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
108	Miscellaneous Installation Subcontractors	\$ -	\$ -	\$ -	\$ -	\$ -
150	Professional Services	\$ 204,844.63	\$ 185,375.00	\$ -	\$ -	\$ 370,219.63
160	Intercompany Services	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ 285,753.38	\$ 185,375.00	\$ -	\$ -	\$ 451,128.38
20 - MATERIAL & EQUIPMENT						
	Description					
200	Mechanical Equipment	\$ 172,528.88	\$ -	\$ -	\$ -	\$ 172,528.88
210	Electrical Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
220	Intercompany Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
230	Other Equipment	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ 172,528.88	\$ -	\$ -	\$ -	\$ 172,528.88
30 - LABOR						
	Description					
300	Project Management	\$ -	\$ -	\$ -	\$ -	\$ -
305	Senior Project Management	\$ 27,202.88	\$ 61,206.48	\$ -	\$ -	\$ 88,409.36
310	Project Oversight	\$ 7,470.57	\$ 14,007.33	\$ -	\$ -	\$ 21,477.90
320	Administration	\$ -	\$ -	\$ -	\$ -	\$ -
330	Construction Manager	\$ -	\$ -	\$ -	\$ -	\$ -
340	Scheduler/Estimator	\$ 16,255.52	\$ 47,193.44	\$ -	\$ -	\$ 63,448.96
350	Sr. Construction Manager	\$ 8,615.83	\$ -	\$ -	\$ -	\$ 8,615.83
360	Project Engineer	\$ -	\$ 2,844.23	\$ -	\$ -	\$ 2,844.23
370	x	\$ -	\$ -	\$ -	\$ -	\$ -
380	Labor - Commissions	\$ -	\$ -	\$ -	\$ -	\$ -
390	Operations Labor	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ 59,544.80	\$ 125,251.48	\$ -	\$ -	\$ 184,796.28
40 - TRAVEL & LIVING / CONCUR						
	Description					
400	Travel & Living	\$ -	\$ -	\$ -	\$ -	\$ -
400	Travel & Living Other	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ -	\$ -	\$ -	\$ -	\$ -
41 - (CM) TRAVEL & LIVING / CONCUR						
	Description					
410	Travel & Living	\$ -	\$ -	\$ -	\$ -	\$ -
410	Travel & Living Other	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ -	\$ -	\$ -	\$ -	\$ -
50 - OTHER COSTS						
	Description					
500	Deduct for Digester Cleaning	\$ (81,596.00)	\$ -	\$ -	\$ -	\$ (81,596.00)
500	Surety Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
500	Bid Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
500	Builders Risk Insurance	\$ -	\$ -	\$ -	\$ -	\$ -
500	General Liability Insurance	\$ 4,285.10	\$ -	\$ -	\$ -	\$ 4,285.10
500	Sales & Use Tax	\$ 11,857.50	\$ -	\$ -	\$ -	\$ 11,857.50
500	License/Permit Fees	\$ -	\$ -	\$ -	\$ -	\$ -
500	Project Development Costs	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ (65,453.40)	\$ -	\$ -	\$ -	\$ (65,453.40)
60 - SITE COSTS						
	Description					
600	General Site Costs	\$ -	\$ -	\$ -	\$ -	\$ -
600	CM Living Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
610	Fleet Vehicle	\$ -	\$ -	\$ -	\$ -	\$ -
620	Start-up Costs	\$ -	\$ -	\$ -	\$ -	\$ -
	SUBTOTAL:	\$ -	\$ -	\$ -	\$ -	\$ -
TOTALS		\$ 452,373.88	\$ 280,626.48	\$ -	\$ -	\$ 743,000.14