

SUBJECT

BOARD RESOLUTION NO. 22-75

Pertaining to an Amendment No. 1 to a Progressive Design-Build Agreement with CH2M Hill Engineers, Inc. for the McCarron's Treatment Process Improvements Project.

BACKGROUND INFORMATION

Staff is seeking approval of Amendment No.1 to the Progressive Design-Build Agreement with CH2M Hill Engineers, Inc. for the McCarron's Treatment Process Improvements Project approved at the Board's January 12, 2021 meeting.

See attached Staff Report and Amendment.

RECOMMENDATION

Board approval is recommended.

McCarron's WTP Project

Work Package #1: Staff Report

Executive Summary: SPRWS staff is seeking a contract amendment with CH2M Hill Engineers, a subsidiary of Jacobs Engineering, to allow for the early purchase of several major pieces of equipment. SPRWS staff recommends approval of the contract amendment. The value of the contract amendment is \$22,239,688.

Background: In order to meet schedule goals for the McCarron's WTP Project and to accomplish construction work in the most favorable seasons, SPRWS staff has worked with the Design-Builder to develop several early work packages. This is the first early work package for the project.

Scope of Package: The core contents of the package include the purchase or lease of critical equipment for the water treatment plant. This equipment includes:

- Softening Clarifiers, which soften water and remove small particles. Three vendors submitted proposals, and SPRWS and Jacobs worked together to select the best-value vendor.
- Ozone Equipment, which removes contaminants of emerging concern and controls taste and odor compounds. Two vendors submitted proposals, and SPRWS and Jacobs worked together to select the best-value vendor.
- Batch Slaking Equipment, which prepares lime for use in the softening process. Two vendors submitted proposals, and SPRWS and Jacobs worked together to select the best-value vendor.
- Lease of Temporary Recarbonation Equipment, which allows for construction sequencing to proceed as planned.

Rationale for Early Purchases

Temporary Recarbonation Equipment – there are only a few units of this type available in the country, one of which is coming available soon. The cost of a failure to obtain this unit would be considerable, so contracting for it early is by far the most cost-efficient option.

Other Equipment – selecting and purchasing this equipment early offers several benefits:

- More time for SPRWS staff and Jacobs to make wise, thoughtful selections of best-value equipment
- More efficient design work as we move forward
- Minimizes risks associated with supply chain instability since there's more time to fabricate equipment
- Provides greater cost certainty in key areas

Auxiliary Costs

While the purchases of the equipment described herein constitute the bulk of the costs associated with this contract amendment, there are additional costs included as well. These costs include:

- Costs for Jacobs to review submittals by the vendors, complete purchases of equipment, and oversee the equipment manufacturing process
- The design-builder's fee (as determined by the terms of the existing contract)
- Costs to account for likely design changes that will occur between now and 100% design
- Bonds, insurance, and sales taxes
- Funds to account for the risks associated with the equipment (ex. Late delivery) as SPRWS will be transferring this risk to Jacobs as part of the contract amendment

SPRWS has reviewed all costs with the Owner's Representative team and believes that all costs are fair and consistent with market conditions and industry norms.

Project Management Considerations/Notes

- This work package will cost about \$1.3M less than was forecasted in the \$220M project estimate that was shared with the BWC at the Dec. 2021 meeting
- Contracting for early purchase of the equipment should not meaningfully alter the cash flow timeline for SPRWS
- SPRWS staff recommends that we deliver this package under a Lump Sum agreement. This saves \$113k over a Guaranteed Maximum Price delivery, but foregoes the possibility of recovering the funds included for pricing in risks.
- The "Off-ramp" for the project remains open. SPRWS will be able to cancel orders, delay delivery, or accept delivery of the equipment in the event that we do not proceed with Jacobs for the construction phase of the contract.