

REPORT TO COUNCIL

May 26, 2011

Accept report on contract with Slayden Construction Group, Inc. for construction of the Mt. Tabor and Washington Park Interim Security and Deferred Maintenance Project as complete, authorize final payment and release retainage (Report; Contract No. 37524)

On March 08, 2006, City Council approved the findings and authorized Portland Water Bureau (PWB) and Procurement Services an exemption to the competitive bidding process to allow for the selection of the construction contractor using an alternative procurement method, specifically the CM/GC method (Council Ordinance No. 179979).

On November 13, 2006 the City entered into a PTE Services (Contract No. 37077) with Slayden Construction Group, Inc. for the Pre-Construction Services for the interim security improvements and deferred maintenance work at Mt. Tabor and Washington Park Water Facilities. The PTE Contract was completed on July 30, 2008 and closed out. As part of the PTE services the City entered into negotiations for a Guaranteed Maximum Price (GMP) for Construction Services. A GMP was successfully negotiated and the City entered into a second contract for construction services.

On August 21, 2007 the City authorized a contract with Slayden Construction Group, Inc. for construction services (Contract No. 37524). The purpose of the project was to construct security, and deferred maintenance improvements, which enabled the PWB to better secure the open reservoirs with cameras and electronic security devices and permit the isolation of the reservoirs with remotely controllable valves and bypass piping and other maintenance items. As part of this work, PWB installed fence and gate improvements, vehicle access controls, remote controlled actuators on existing isolation valves, new isolation valves with remote controlled actuators, a pressure reducing valve (PRV), and Gatehouse No. 5 interior remodeling for on-site security staff. Security improvements included security alarm upgrades, additional cameras and communications equipment, improvements for remote monitoring, on-site recording, vegetation control around reservoir perimeters, signs encouraging visitors to use paths away from reservoirs, and improvements to secure buildings.

ORS 279C.355 requires an evaluation report upon completion of a project exempted from competitive bidding. The report must include information on the GMP if used; actual estimated project costs; numbers of change orders; an analysis of the success and failures of the design, engineering and construction; and an objective assessment of the use of the alternative contracting process as compared to the findings required by ORS 279C.355. The following is the report required by ORS 279C.355, which explains how the use of an alternative contracting method was in the City's best interest.

GMP, Costs and Change Orders:

The original amount for the Preconstruction Services contract was \$315,173 and the final total paid amount under this contract to Slayden Construction Group, Inc. was \$367,693.07 (16.7 % over the original contract amount). There were two (2) amendments to the Preconstruction Services contract. Amendment No. 1 was a no cost increase, but extended the contract to April 30, 2008. Amendment 2 provided additional compensation with a not to exceed amount of \$56,314 for added work scope, which included advertising for sub-contract work, printing of construction documents, outreach efforts to the minority, women, and emerging small business (M/W/ESB) community, and preparing for upcoming construction activities.

The original GMP contract amount for Construction Services was \$23,238,377, which was established with a Report to Council to authorize the Construction Services contract. The final construction cost in 2011 is the same as the original GMP contract cost approved by Council in 2006. There have been five (5) no cost change orders issued for the construction contract. Change Order No. 1 provided a mechanism to allow for payment of the contractor's fee to be distributed in increments with no cost increases. Change Order No. 2 extended the contract completion date for delays encountered for the sole source security portion of the project and issues with the mechanical valve actuators delivered, and other maintenance items with no cost increases. Change Order No. 3 added the installation of a PRV vault/piping system on SE 60th Avenue from the Owner's allowance budget with no cost increases. And Change Orders No. 4 and 5 were also no cost changes to the contract extending the contract completion date for completion of the PRV vault/piping system on SE 60th Avenue. The final contract amount is \$23,238,377 (0% over/under the original GMP contract amount). The balance due on the contract is \$99.95 and the retainage to be released is \$5,973.68. The project is now complete and all work necessary to complete the project has been executed in accordance with the contract documents and to the satisfaction of the PWB.

Objective assessment of the use of the alternative process:

The paragraphs below in italics are the Findings dated March 2006 (Ordinance No. 179979, Exhibits A and B) justifying project exemption, and PWB's assessment of the use of the alternative contracting process as compared to the findings:

1. Objective: Competition -

The alternative contracting method will not limit competition or encourage favoritism in the selection process when compared to the standard "low bid" process. PWB will formally advertise and issue a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) for a contractor for this project in accordance with established RFP procedures that will attract competition for this contract from numerous contractors in the construction community. Potential contractors will submit Statements or Qualifications to perform the work. A Selection Committee consisting of staff from PWB, Bureau of Purchases and others from the community will evaluate the Statements of Qualifications and develop a short list of the most qualified contractors. Those selected will be asked to submit proposals. The Selection Committee will then select a contractor based on evaluation of the proposals and subsequent interviews, if necessary. The evaluation process will be based on predefined criteria of demonstrable technical qualifications and the proposed fixed fee. Subcontracted portions of the work will be

contracted by the contractor through a competitive bidding process. The selection process will be completed under the guidance and direction of the Bureau of Purchases staff.

PWB Assessment:

Originally the Washington Park and Mt. Tabor Improvement Projects were individual projects with separate solicitations for construction. The outcome of this solicitation was that no contractors submitted proposals for the Washington Park Project; the PWB removed the Mt. Tabor RFP from the advertising process and received approval by Council ordinance to repackage and combine the two individual projects together to make the project more attractive to the contracting community. The combined projects were then advertised as a single project. The combined project was competitively advertised for RFP and three (3) proposals were received. The Contractor Slayden Construction Group, Inc. was selected through the RFP process. Proposals were evaluated using the following evaluation criteria: Organization, Structure, and Key Personnel; Construction Project Plan and Management Experience; Financial Viability; Risk, Safety Performance, and Approach to Safety; Project Approach; Approach to Partnership; Pre-Construction Cost & CM/GC Fee; Diversity in Employment and Subcontracting Requirements; and Community Relations Experience. A seven (7) person selection committee selected Slayden Construction Group, Inc. on August 25, 2006. The selection committee was comprised of seven (7) members (three (3) PWB representatives, one (1) City of Portland (non-PWB) representative, and three (3) non-City representatives). The selection committee was developed to ensure that there were diverse and qualified evaluators to serve on the panel. The committee included three (3) women and two (2) minority evaluators.

2. Objective: Operational, Budget And Financial Data -

The Project will enhance existing security facilities, install new security and new isolation valves, and install and allow remote control of isolation valves improving the Bureau's response time in the event of an emergency. It is imperative the existing water facilities remain operational during construction.

In addition, confidentiality, security and protection of the bureau's critical facilities during the bidding and construction process are essential. A CM/GC contract will allow PWB to have more participation and control. This contracting approach carries both the lowest risk and lowest construction and operating cost compared to any other contracting method. This process also offers the greatest flexibility, reliability, and assurance of continued water facility operations.

PWB has particular concerns about releasing documents that include the detailed plans for electronic security elements such as alarms and cameras. This alternative contracting method will allow the use of more general plans that would not reveal these details in the RFP process. The selected CM/GC can access those documents subject to the confidentiality agreement following the Bureau's assurance of integrity of the project team.

Employing the contractor during the design phase will allow the contractor to assist in selecting appropriate construction methods and sequencing and in developing a realistic comprehensive construction schedule before the construction phase begins. This will

also allow PWB to maintain a higher level of security and restrict access to security documents including the plans and specifications of critical facilities. The alternative contracting method will also provide value engineering and constructability reviews well before the final construction documents are completed. This should ultimately result in fewer change orders and significant savings for the City over conventional contracting.

PWB Assessment:

Participating on the project during the design period allowed Slayden Construction Group, Inc. to develop a good understanding of the PWB operating constraints for the two sites. This allowed the Contractor to work with PWB engineering, operations and security staff in developing plans to reduce risk to on-going operations while constructing new facilities. In the CM/GC process, the Contractor was able to outreach to a select group of subcontractors that were qualified for the work and required the subcontractors to adhere to the PWB security requirements. The contractor also provided the PWB assistance in working with the permitting agency to explain or adjust construction methods to meet the permit requirements. The cost savings for this project enabled the PWB to add related work at SE 60th Avenue without increase to the overall contract budget.

3. Objective: Public Benefits -

PWB must continue to meet its commitment to the City of Portland to provide quality potable water to its 800,000 customers and maintain water storage and fire fighting capacity during construction. Mt. Tabor and Washington Park is a terminal storage site for the majority of potable water provided to the City. Therefore, it is necessary that construction of the project proceed with minimum interruptions, delays and claims.

The Mt. Tabor and Washington Park sites are listed on the National Historic Register and include environmentally sensitive areas. It is important that the construction contractor have a thorough understanding of the requirements to protect these resources, and that design, historic, and environmental permitting is coordinated. Alternative contracting will allow the contractor proactive involvement in design to develop construction approaches and methods to minimize impacts on the park, Parks Bureau operations and park users. Such involvement in the design phase would not be possible using the traditional "low bid" contracting method.

It is likely that there will be a lower chance of disruption to the public's water supply by using the alternative contracting approach. Electing to adopt reasonable measures such as alternative contracting to meet its commitments falls well within the Bureau's fundamental mission of maintaining the highest quality and reliable water service.

Finally, alternative contracting will allow construction of the proposed improvements at the lowest life-cycle cost. Alternative contracting will thus allow the public to receive the benefits of both timeliness and lowest cost.

PWB Assessment:

This alternative contracting process allowed the Contractor more flexibility for the sequencing of construction, constructability reviews, construction staging and removal of potential operational constraints, since much of this was planned during the design phase. Their input and advice on design decisions, scheduling, and cost implications was invaluable. The complexities of the reservoir piping and facilities made this team

approach during design and construction essential. It was anticipated that work on the existing facilities would require shutdown of PWB facilities that could adversely impact water quality or quantity to be provided to PWB customers. However, this contracting opportunity allowed the Contractor to gain knowledge and understanding of the operations of the PWB facilities early on in the design process which enabled the Contractor to work closely with PWB's operations staff and designers to sequence or modify their construction methods that minimized the number or duration of the shutdowns with no impact to water quality or delivery. The flexibility of this contracting approach was extremely successful in ensuring continued water delivery from these key sites.

4. Objective: Value Engineering -

The alternative contracting method will give the contractor an opportunity to partner with PWB design and construction staff in performing value engineering and constructability reviews. In contrast, contractor input into the project while it is being designed is not possible using the conventional "low bid" design-bid-build construction process. Early involvement will reduce overall project costs and more efficiently attain the project objectives. The contractor can review conditions while design is ongoing and thus has the opportunity for input. The contractor's construction experience and knowledge will also help identify and resolve issues prior to construction and will aid in early identification of effective measures to minimize disruption. This partnering will likely reduce the need for change orders, claims, and delays, resulting in significant cost savings and delivery of quality facilities on time. In contrast, the "low bid" process, which does not permit significant contractor input during the design phase, would not allow the contractor to see actual conditions while design is ongoing.

PWB Assessment:

The Contractors' contribution to value engineering during the design and construction phase was an effective tool for this project. The periodic cost estimates were much more accurate than those normally received from consultants due to their familiarity of the project conditions and ability to perform preliminary investigative work. The Contractor worked with the PWB operations staff and designers to identify value engineering items (e.g. modifying routing of pipelines thereby reducing the pipe lengths, changing construction methods, utilizing alternative materials, negotiated costs with subcontractors to achieve the best cost for the work, etc.) that resulted in cost savings to the project. With input from the Contractor, cost effective and alternative construction methods, and utilization of knowledgeable subcontractors resulted in work being completed ahead of schedule resulting in cost savings to the project. At the end of the project, the contract resulted in \$1,423,736.36 in shared savings. The PWB was able to utilize the savings from this contract to add a second planned bypass connection at SE 60th Avenue that is needed to provide operational flexibility to the piping system at the Mt. Tabor. The added work was completed within the savings from the contract thereby resulted in no-cost changes to the overall contract amount, and was less overall cost than doing the work under a separate contract.

5. Objective: Specialized Expertise -

Maintaining the water supply to the public while retrofitting security improvements and installing isolation valves on existing pipes is highly specialized work that requires a

great deal of extraordinary care. In addition, construction will occur within a constricted work zone and must take into account Park activities. Some of the methods to protect the water supply, the public, existing historic and environmental resources, and the Park, will not be fully addressed until the project is underway. For example, close coordination with Bureaus of Development Services and Parks, with COMNET, the City's camera and communications provider, and the City's card key provider will be required to ensure security improvements work properly.

It is imperative that the contractor has a high degree of construction and coordination experience in similar situations that is available during the design phase of this project. Expertise in construction methodology, sequencing, scheduling, and cost estimating is essential to make sure the City realizes an optimum design that remains practical and within budget. The alternative contracting method will provide the best opportunity to select not simply a qualified contractor, but the most knowledgeable contractor available with the necessary expertise for this project. In addition, the alternative contracting method provides the only realistic way to make sure that expertise is available during the project design phase. In contrast, the conventional "low bid" method does not permit the City to use the contractor's expertise to help design the project nor does it permit the City to exercise judgment about who may be the most qualified contractor to perform this work. Therefore, specialized expertise on this project requires use of the alternative contracting method to maximize the project's success.

PWB Assessment:

The Slayden Construction Group, Inc. and their subcontractors had the expertise in pipeline, mechanical, electrical, and facilities work improvements requiring sequencing, scheduling and cost estimating, which ensured the City an optimum construction sequencing that remained practical and within budget and schedule.

6. Objective: Market Conditions -

The alternative contracting method reaches the same or greater market of construction contractors as the conventional bidding process would. The specialized skills and major components of work necessary for the Mt. Tabor and Washington Interim Security and Deferred Maintenance Project reaches the state and national market place. Competitive contracting to this market will be obtained during the solicitation for qualifications and proposals.

Other key elements of work for the project that are not completed by the selected contractor will be subcontracted out. A large portion of this work will be subcontracted out to the local market by the CM/GC, using traditional competitive bidding methods. This will ensure both competition and highly qualified subcontractors. The alternative contracting method has the added benefit of allowing the selected contractor to solicit bids for portions of work while other portions are under construction or still in design. This allows the contractor extra time to coordinate construction activities between its various resources to minimize construction risks and delays. The contractor will be able to prepare material and equipment submittals early and thus issue purchase orders to suppliers and vendors for timely delivery. This method will also provide a lengthened opportunity to identify and reach out to qualified minority, women, and emerging small businesses that may otherwise not have an opportunity to participate in the project.

Overall, the alternative contracting method provides the best assurance that the most qualified and cost effective subcontractors, suppliers, and vendors will be available to meet the demanding schedule at minimum cost.

PWB Assessment:

The Slayden Construction Group, Inc. was able to be selective in the work to be subcontracted and determine the list of qualified contractors to perform the work. This effort allowed the utilization of M/W/ESB firms to help meet the City workforce training and hiring requirements while utilizing most qualified contractors for the work. The Slayden Construction Group, Inc. was also able to determine early on as to work to be self performed and work to be subcontracted to local M/W/ESB firms The Contractor hired an M/W/ESB outreach coordinator to maximize M/W/ESB participation on the project. With input from the M/W/ESB outreach coordinator, the Contractor developed smaller bid packages providing additional contracting opportunities, mentored subcontractors, and held bid opportunity meetings with potential contractors. Because of those efforts, M/W/ESB participation was 35.7%.

7. Objective: Technical Complexity -

Several elements of this project require specialized expertise, as described above. Therefore many of the same reasons that support use of an alternative contracting process that were described in that section are equally applicable because of the technical complexity of this project. In addition, the complexity of the elements of work requires the contractor to understand and be able to manage all aspects of work. The alternative contracting method permits selection of the most qualified contractor to perform this work, rather than requiring the City to accept a contractor based on the lowest bid, which may not have been submitted by the most qualified contractor. Nonetheless, selection of the most qualified contractor is likely to yield substantial cost savings because the contractor's additional expertise will likely identify problems or solutions during the design phase that a less qualified contractor would not. The project is technically complex because the contractor must provide coordination for essential issues such as maintaining the existing water supply, the system security and the ongoing protection of historic and environmental resources, all while minimizing impacts to the park and park users.

It is also technically complex because security devices must be installed appropriately and in a manner consistent with the listing of the site as a historic landmark. In addition to protecting the water, the environment and historic features during construction, the project requires establishment of a construction phasing plan; a park circulation plan, dewatering plan; erosion control plan; traffic control plan; health and safety plan; and a sheeting and shoring plan, all prior to starting on-site work. Some of these plans will require close coordination with the public and other City Bureaus. The conventional "low bid" process, based strictly on the initial price, will not necessarily produce the contractor best able to handle the technical complexity of this process and thus may well cause the City additional costs by the time the project is complete. This is less likely to happen if the most qualified contractor is selected through an alternative contracting method and participates in the design process.

PWB Assessment:

A majority of the work is within the historic landmark and required additional conditions and necessary expertise and equipment imposed on contractor in accordance with the permit requirements. The Slayden Construction Group, Inc. utilized bids from subcontractors during the design to develop costs for construction. The project benefited from early and on-going constructability reviews, scheduling, and sequencing for purchase of long lead production items. This resulted in significant time and cost savings to the project versus the conventional Design-Bid-Build method. In addition, the Contractor established a document distribution process to ensure documents for the security elements are distributed only to selected subcontractors working on their specialty items.

8. Public Safety

PWB must deliver water to its customers and have water available for emergencies twenty-four hours a day three hundred and sixty five days a year notwithstanding whatever construction activities are incurring on site. The construction activities cannot interfere with PWB's mission of providing high quality water that meets all regulatory standards. The CM/GC process enables the selected contractor to provide input during the design process, enables it to establish a safety plan and a more coordinated construction phasing plan. Therefore, this process is more likely than the low bid process to assist the Bureau in meeting the demands for water quality, reliability and system security. This will result in early implementation of health and safety measures to protect the public, City employees, construction workers and the water system throughout the project. In order for the proposed security improvements to be effective, they must be installed in a manner that ensures protection of the design information about the nature of alarms and related features and location of critical water facilities. In a low-bid process, detailed plans must be widely distributed and are available to anyone requesting copies of the bid documents without screening. Under the CM/GC process it is possible to distribute more general plans and then require confidentiality before detailed plans are shared. This makes it easier for the Bureau to protect security information, which is especially important in work in the area of electronic security, including alarms and passwords. Since the CM/GC process is designed to select a highly qualified contractor, it is likely that this process will maximize public safety and protection of critical information.

PWB Assessment:

The limited document distribution helped the PWB to meet its goal to protect security information. The pipe installation on SE 59th had significant impacts to the accessibility of the residents to their homes. Due to the anticipated high level of neighborhood issues and concerns regarding this project, the contractor provided an on-site neighborhood liaison who was an active interface between the contractor and the neighbors. The communication between the Contractor's on-site neighborhood liaison and the local residents helped to limit neighborhood conflicts with the construction activities and kept residents safer by keeping them out of the construction work limits. The neighborhood benefited from having a specific go to person to communicate their concerns whether it was for their specific residence or issues concerning the neighborhood. With daily involvement from the on-site neighborhood liaison and the local neighborhood, the

contractor was able to keep focused on their work, and also take quick action to modify the access, site security or traffic control measures when applicable. This input from the Contractor and PWB's neighborhood involvement staff to accommodate the neighborhood helped keep the project on schedule while meeting the needs of the neighborhood. At the conclusion of the work on SE 59th Avenue, residents were very satisfied with the outcome of the project and expressed their appreciation for the amount of time spent to coordinate the construction to minimize impacts to their daily activities. This project was completed with no recorded accidents or incidences.

Conclusion:

The use of the CM/GC contracting process on this project was successful at every level. This methodology was fully appropriate for this project and should continue to be viewed as a viable contracting option and selected projects. The CM/GC contractor worked closely with PWB staff (public involvement, operations staff, designers, electricians, etc.) and was flexible in modifying or adjusting the construction schedule or methods to accommodate the needs of the PWB, other City of Portland agencies, or the general public. The CM/GC contractor worked with the PWB to resolve changes encountered on this project that were due to permitting requirements, design modifications to accommodate actual construction conditions with no overall cost increases where these type of changes in a typical design-bid-build project would have likely resulted in cost increase change orders or claims.

It is recommended that Council accept the evaluation report, and accept the contract with Slayden Construction Group, Inc. as complete, authorize final payment and release retainage.



David G. Shaff
Administrator

TO THE COUNCIL:

The Commissioner of Public Safety concurs with the above Report to Council, and;

RECOMMENDS:

that the Council accept the evaluation report, and accept the contract with Slayden Construction Group, Inc. as complete, authorize final payment and release retainage.

Respectfully submitted,

Randy Leonard
Commissioner of Public Safety

Agenda No.
REPORT NO.
 Title

Accept report on contract with Slayden Construction Group, Inc. for construction of the Mt. Tabor and Washington Park Interim Security and Deferred Maintenance Project as complete, authorize final payment and release retainage (Report; Contract No. 37524)

<p>INTRODUCED BY Commissioner/Auditor: Commissioner Leonard</p>	<p>CLERK USE: DATE FILED <u>JUN 10 2011</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard <i>[Signature]</i></p>	<p style="text-align: right;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Portland Water Bureau Bureau Head: David G. Shaff <i>[Signature]</i></p> <p>Prepared by: Michelle Lostra Date Prepared: May 26, 2011</p> <p>Financial Impact Statement</p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <input type="checkbox"/></p> <p>Council Meeting Date June 15, 2011</p>	<p>ACTION TAKEN:</p> <p style="text-align: center; font-size: 1.2em;">JUN 15 2011 ACCEPTED</p>
<p>City Attorney Approval</p>	

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: 15 minutes (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz <input checked="" type="checkbox"/>	
2. Fish	2. Fish <input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman <input checked="" type="checkbox"/>	
4. Leonard	4. Leonard <input checked="" type="checkbox"/>	
Adams	Adams <input type="checkbox"/>	<input type="checkbox"/>