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IMPACT STATEMENT

Date: August 30, 2016

Council Date: September 21, 2016
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Legislation Title: Accept contracts with Hoffman Construction Company and MWH Americas, Inc. for the design and construction of the Kelly Butte Reservoir Project as complete and authorize final payments (Report; Contract Nos. 30001127, 30002022, and 30002938)

Contact Name: Thomas Gilman, Engineer

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Presenter Name: Teresa K. Elliott, P.E., Chief Engineer

Purpose of proposed legislation and background information:

The Kelly Butte Reservoir Project (Project) required construction of a 25-million gallon (MG) water reservoir and was part of the Water Bureau's long range plan to provide adequate in-town terminal storage facilities and to replace an existing 10-MG steel tank.

On June 16, 2010, City Council authorized an exemption from competitive bidding for construction of the Project. Ordinance No. 183913 provided an engineer's estimate for the construction of the Project in the amount of \$70,000,000. A low confidence rating was given to this estimate, given the early stage of design. Per ORS 279C.335 and Resolution No. 36430 a post-project evaluation is required upon completion of a public improvement contract exempt from competitive bidding. The financial and budgetary impacts for the Project are addressed below.

Financial and budgetary impacts:

The Project had three major contracts; MWH Americas, Inc. provided design, permitting, construction support, and two contracts for the Construction Manager/General Contractor (CM/GC) with Hoffman Construction Company for pre-construction and construction services.

MWH Americas, Inc. - Design and Construction Support Services

Ordinance No. 183618 authorized a Professional, Technical and Expert (PTE) contract for design and construction support services for the Project. On March 17, 2010 the City entered into a Contract No. 30001127 with MWH Americas, Inc. The contract had an original value of

\$3,300,000 and had a moderate confidence rating. Amendment Nos. 5 and 7 provided additional time and funding to the contract in support of additional construction management, special observation services, project management, and mitigation. Amendment No. 7 received council approval through Ordinance No. 186404 and provided additional design services, construction administration, engineer-of-record services, extend the term of the contract and revised the final contract amount to \$5,600,000. The other amendments to the contract required no additional funding and provided for reallocation of tasks and added new subconsultants to the contract. The final cost for services in this PTE contract was \$4,964,487.78.

Hoffman Construction Company - Phase 1, Pre-Construction Services

On May 10, 2011 the City entered into Contract No. 30002022 with Hoffman Construction Company for pre-construction services through a PTE contract. The contract had an original value of \$360,000. Amendment Nos. 1 and 3 provided for administrative changes to the contract and Amendment No. 2 added funds to the contract for erosion control, temporary fencing, tree removal and installation of a gravel work surface for demolishing the existing tank. All work associated with this PTE contract was completed satisfactorily on June 30, 2013. The final cost for services in this contract was \$386,317.77.

Hoffman Construction Company – Phase 2, CM/GC Services Contract

On September 5, 2012, Report to Council No. 997-2012 was approved by City Council and authorized the Chief Procurement Officer to proceed with awarding a contract to Hoffman Construction Company as CM/GC for construction of the Project with a Guaranteed Maximum Price (GMP) of \$57,250,000. On October 8, 2012, the GMP Contract No. 30002938 with Hoffman Construction Company was executed. Contract Change Order Nos. 3, 4, and 5 provided additional time in the contract for removal and disposal of contaminated pipe and provided for the final reimbursable amount needed to complete the Project. All work on the contract was completed satisfactorily on August 9, 2016. The final cost of the work under this contract was \$50,539,372.15 (\$6,710,627.85, an 11.72% decrease under the original contract amount). This is especially notable given the low confidence rating when the alternative procurement method was originally approved in 2010, which indicates that costs could vary 30% - 50% from the original engineer's estimate. The diligent efforts of the Water Bureau, MWH Americas, Inc., and Hoffman Construction Company throughout the life of the Project provided the talent, hard work, and focus necessary to maintain the Project.

Community impacts and community involvement

The Water Bureau must meet its commitment to the City of Portland to provide quality potable water to its 960,000 customers and maintain water storage and firefighting capacity during construction. Construction of the Kelly Butte Reservoir was critical in providing the necessary storage in complying with Long Term 2 Enhanced Surface Water Treatment requirements for the open reservoirs. Therefore, it was necessary that construction of the Project proceeded smoothly and with minimal interruptions, delays, and claims.

Using a CM/GC contractor provided more opportunities during design and construction to address constructability, modify construction means and methods, and work in partnership with the city. This construction approach provided the following public benefits:

- Minimized disruptions to the neighborhood
- Success in neighborhood relations
- Ensured access to adjacent properties was maintained
- Minimized odor, noise, vibration impacts, and utility disruptions
- Provided most qualified contractor hired at the best value
- Recognized by the *Oregon Concrete & Aggregate Producers Association* and received the *Excellence in Concrete - 2016 Award Recipient for Utility – Water Reservoir*
- Provided subcontracting opportunities, training and technical assistance to the DMWESB community through the use of a piloted Community Benefits Agreements (CBA)



In addition to the information addressed above, on September 5, 2012 Resolution No. 36954 directed the Water Bureau to pilot a CBA in support of this Project. On September 12, 2012 City Procurement Report to Council No. 997-2012 was approved by council. The council action recommend that the PWB and Procurement Services be authorized to proceed with awarding a contract to Hoffman Construction Company of Oregon as CM/GC Contractor for construction of the Project and included the pilot CBA. A separate Report to Council has been submitted by the Water Bureau and provides information regarding the CBA, lessons learned and includes recommendations.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

 Michael Stuhr, P.E., Administrator Date