

RECOMMENDATION:

Conduct a public hearing and adopt Resolution No. 2019-16 in support of an exemption from the competitive bidding process and use of a Construction Manager / General Contractor contracting method for improvements to the Geren Island Water Treatment Facility.

SUMMARY:

The Geren Island Water Treatment Facility (Treatment Facility) improvements require a significant amount of construction in a short time period. The improvements (the Project) will add an ozone facility to treat algal toxins; expand the number of groundwater wells to augment the raw water supply; and upgrade infrastructure needed to support and integrate the new and existing equipment.

The Construction Manager / General Contracting (CM/GC) is a collaborative delivery method that brings the owner, designer, and CM/GC contractor together in a shared risk environment that significantly increases the likelihood for project success as measured by cost and schedule.

Oregon Revised Statutes (ORS) Chapter 279C and the City's Public Contracting Rules (PCR) 9.7, allow City Council, as the Local Contract Review Board, to exempt a public improvement contract from competitive bidding requirements if, after a public hearing, they find that such an exemption is unlikely to encourage favoritism in the awarding of contracts or substantially diminish competition for the contracts. The Board must also find the exemption will likely result in substantial cost savings and other substantial benefits to the City or the public.

FACTS AND FINDINGS:

The full findings for exempting the Project from competitive bidding are attached.

The CM/GC contractor would be selected through a competitive and open RFP selection process. The City anticipates that competition for the work will be similar to other projects of this type. The competition will remain open to all qualifying proposers. The City will communicate with the construction contracting community about the CM/GC contracting method. The evaluation process will be open and impartial. Selection will be made on the basis of final proposal scores derived from price, experience, quality, innovation, and other factors. The process used to award subcontracts for all competitively bid construction work will be specified in the CM/GC contract and will be monitored by the City.

Awarding the Project contract under the exemption will likely result in substantial cost savings and other substantial benefits to the City and the public. CM/GC uses a guaranteed maximum price (GMP). A GMP allows the City to obtain the full savings if the actual completed costs are below the GMP.

Early reliable pricing provided by the CM/GC contractor during the design phase reduces the potential for time delays due to subsequent discovery of higher-than-anticipated costs and consequent changes of plans. The completion date for the Project cannot be extended for the improvements to

be in place and operational before the 2021 algal toxin season.

Integrating the CM/GC contractor into the design process allows for early identification of risks and facilitates teamwork between the City, designers, and the CM/GC contractor. The Project requires expertise regarding the constructability and long-term cost/benefit analysis of innovative design, knowledge best obtained directly from the construction industry. Many decisions arising during the design process will require immediate feedback on constructability and pricing. Under the traditional design-bid-build contracting method, there is a higher risk of increased change orders and schedule impacts for a project of this size and complexity. Since there are significant costs associated with delay, timely project completion is critical.

When the CM/GC contractor leads and participates in the design process, fewer change orders occur during project construction than in the traditional design-bid-build contracting method. This is due to the CM/GC contractor's better understanding of the City's needs and the design intent providing the opportunity to design to the budget rather than budgeting for the design. As a result, the Project is more likely to be completed on time and within budget. Fewer change orders reduce the administrative costs of project management for both the City and the CM/GC contractor.

In addition to being less frequent, change orders are processed at less cost under a GMP. The design-bid-build method typically results in the contractor charging fifteen percent markup on construction change orders. The GMP method applies lower predetermined markups. The experience of the industry is that the markup is in the range of ten to twelve percent.

CM/GC contracts are designed to create a better working relationship with the contractor than the traditional design-bid-build contracting method. As a consequence, the overhead and profit fee is generally in the three to five percent range. Contractors indicate this is slightly lower than the fee anticipated on similar design-bid-build contracts.

Use of CM/GC as an alternative contracting method allows construction work to commence relatively rapidly on some portions of the work while design continues on the remaining portions. The Treatment Facility will be operational during construction and having the CM/GC contractor participate during the design phase will provide an opportunity to work out details of how to coordinate and phase work to minimize or avoid impacts to operations.

In addition to the multitude of construction market factors that exist in Oregon, the difficulty in establishing the best work sequence for this project complicates the ability to accurately estimate the cost of the Project. The early involvement by the CM/GC contractor allows for the opportunity to sequence and phase aspects of construction as well as gauge the market and take advantage of early procurement of materials to lock in material cost savings. The complexities to be addressed throughout the Project are not well served by the design-bid-build process.

DAY CPM, who has extensive experience with CM/GC project delivery, will assist the City in a supporting role.

BACKGROUND:

Salem's water treatment facility on Geren Island has served Salem residents with quality drinking water since 1937. Surface water from the North Santiam River is treated with a biologically active slow sand filtration process to produce Salem's drinking water. In May and June 2018, low concentrations of cyanotoxins passed through the treatment facility and were detected in Salem's distribution system. As a result of those detections, the City took immediate steps to purchase testing equipment and develop algal toxin treatment systems through a combination of short-term and long-term investments.

The long-term solution for removing algal toxins from our drinking water source is to add an ozone treatment process. Ozone is one of the strongest disinfectants used to treat water and has been used in the U.S. since the 1940s. In addition to adding an ozone treatment process at the Treatment Facility, ground water wells will also be developed on Geren Island to supplement surface water from the North Santiam River. Approximately ten to twenty million gallons per day of ground water can be produced from new wells on Geren Island.

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City Engineer

Attachment:

1. Resolution Number 2019-16