



## Legislation Text

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**File #: K-1617-121, Version: 1**

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CONSIDERATION OF AWARDING BID 1617-37, APPROVAL OF CONTRACT K-1617-121 WITH FOLEY COMPANY IN THE AMOUNT OF \$29,990,165; PERFORMANCE BOND B-1617-87, STATUTORY BOND B-1617-88, AND MAINTENANCE BOND MB-1617-75 FOR THE WATER TREATMENT PLANT PHASE II IMPROVEMENT PROJECT AND BUDGET APPROPRIATION FROM THE WATER FUND BALANCE..

**BACKGROUND:** On July 25, 2006, the Norman Utilities Authority (NUA) approved Contract K-0607-35 with Carollo Engineers (Carollo) to perform a Water Treatment Plant (WTP) Expansion Evaluation. The summary of the results from that report were presented to the NUA at a study session on May 22, 2007.

On September 25, 2007 the NUA approved Amendment No. 1 to Contract K-0607-35 to perform additional studies as part of the preliminary design. Carollo performed a chlorine disinfection bench scale testing and evaluation, an alternatives disinfectant bench scale testing and evaluation, and a detailed electrical load study. The findings of these studies and options were presented to the NUA at a study session on December 18, 2007.

On June 24, 2008, the NUA approved Amendment No. 2 to Contract K-0607-35 to perform final design services for the Phase I WTP Expansion. The first phase was to rehabilitate the Plant's electrical infrastructure, install an emergency generator, and to allow the future installation of ozonation to be used as both a primary disinfectant to control poor taste and odor events. Other goals of the first phase were to increase WTP capacity from 14 million gallons per day (MGD) to 17 MGD, as well as rehabilitate some of the essential process equipment. This included the installation of a new solids contact clarifier, the replacement of filter media, replacement of lime feed and carbon dioxide systems. During final design of Phase I WTP Expansion, the opportunity to apply for American Recovery and Reinvestment Act (ARRA) funds arose. With the help of Carollo, staff was able to secure a low interest loan for up to \$14 million dollars with a \$2 million principal forgiveness (grant).

On August 25, 2009 the NUA approved Amendment No. 3 to Contract K-0607-35 to perform the final design and construction oversight services associated with Phase I Construction. Construction began on August 26, 2009 and was completed February 28, 2011 by Wynn Construction Company (Oklahoma City, OK) at a cost of \$12,361,988.96.

On May 22, 2012, the NUA approved Contract K-1112-124 to perform final design services for the Phase II Water Treatment Plant Improvements with Carollo Engineers, Inc. An 8-month ozone pilot project was performed as a part of that contract to determine the final design parameters and arrangement of the ozone system with the intent of amending the design portion once the pilot project was complete.

On January 13, 2015, Norman citizens passed a water rate increase with 67% voting in favor of the increase. The rate increase was expected to generate capital of approximately \$49 million, of which \$31 million was to be used for the Water Treatment Plant Phase II Upgrade.

On February 10, 2015, the NUA approved Amendment No. 1 to Contract K-1112-124 with Carollo Engineers, Inc. to complete the design, provide construction administration services, and full-time on-site Construction Observation Services for the WTP Phase II Upgrade. The design process was completed and plans and specifications were submitted to the Oklahoma Department of Environmental Quality (ODEQ) on October 4, 2016. The ODEQ approved the plans and specifications on January 18, 2017.

### **Proposed Improvements:**

The WTP Phase II Upgrade project will include the following:

- New 17 MGD ozone system;
- Ultraviolet disinfection system;

- On-site hypochlorite solution generation system;
- Intermediate (low lift) pump station;
- Chemical feed equipment and new chemical feed building;
- New maintenance building;
- New administration building and architectural improvements to the existing filter building;
- Rehabilitation of high pressure zone pump station; and
- Associated electrical and control system improvements.

**Funding:**

The project will be primarily funded by a State Revolving Fund (SRF) loan administered by the Department of Environmental Quality (ODEQ) and dispersed from the Oklahoma Water Resources Board (OWRB). The NUA was approved for a loan up to \$31 million by the OWRB on January 17, 2017. The NUA approved the action on January 24, 2017 and closed on the \$31 million loan on January 31, 2017 at an interest rate of 2.81% for a 15 year term.

**DISCUSSION:** On January 26 and February 2, 2017, the NUA published an advertisement in The Norman Transcript and in several trade publications requesting Qualification Statements from prime contractors, electrical subcontractors, and instrumentation and control subcontractors interested in bidding the work. Seven prime contractors were pre-qualified and five of them attended the mandatory pre-bid meeting for prime contractors on February 8, 2017.

Bids for the WTP Phase II Improvements were received from three of the pre-qualified prime contractors on March 23, 2017. As shown on the bid tabulation, Foley Company was overall low bidder in the amount of \$33,309,665 and also low bidder for selected additive alternate combinations for an anticipated contract amount of \$29,990,165 (base bid plus selected alternates). Since bids were higher than anticipated, staff met with the consultant April 3, 2017 and selected the following bid items shown in Table 1 to omit, and/or delay into the future, as a cost saving measure. Carollo has compiled the costs based on the additive alternates selected and recommends awarding the contract to Foley in the amount of \$29,990,165.

Archer Western Construction, LLC was second low bidder at \$34,416,850 and Garney Companies, Inc. was third low bidder at \$35,239,015. Carollo, our design engineer, estimated the construction cost to be \$27,697,000.

As noted, the price of \$33.3M was about 20% higher than Carollo's estimate. Table 2 provides a summary of recently bid water and wastewater related projects in the Oklahoma City, OK area. These recent bid results are indicative of a very active bidding environment for contractors, subcontractors, and suppliers for these specialized projects which serve to drive up prices for labor, equipment, and materials resulting in higher bids. Concerns regarding potential increases in interest rates have contributed to the recent increase in bidding activities in the market as municipalities attempt to lock in more favorable interest rates. As a result, market conditions seem to be the primary factor for the higher bid prices.

As a part of the prequalification process early in the bidding process, Carollo and staff evaluated and approved the qualifications of Foley Company. The pre-qualification package and the bid proposal submitted by Foley Company are attached. Carollo and staff recommend award to Foley Company based from Kansas City, Missouri in the amount of \$29,990,165. The letter from Carollo recommending award to Foley Company is also attached.

The City of Norman is exempt from the payment of sales or use taxes. Pursuant to Title 68 O.S., Section 1356 (10) and as allowed by Oklahoma Tax Commission Rules Part 27 Trust Authority 710:65-13-140, direct vendors to the NUA are also exempt from those taxes. A bidder and his subcontractors may exclude from their bid sales taxes on appropriate equipment, materials, and supplies that will not have to be paid while acting on behalf of the NUA. To minimize project costs, the NUA will make payment directly to vendors of the contractor who are supplying equipment and materials for incorporation into the project.

Staff expects the project to proceed on the following schedule:

- Award Bid and Authorize Chairman to sign Contract and Bonds - May 9, 2017
- Issue Notice to Proceed - May 12, 2017
- Start Construction - May 22, 2017
- Complete Construction (730 days) -May 22, 2019

Water Treatment Plant, Construction (account 031-9939-462.61-01; project WB0292) currently has \$26,157,000 available. Since the SRF loan was approved for up to \$31,000,000, staff recommends funds in the amount of \$4,843,000 be appropriated from the Water Fund balance (account 031-0000-253.00-00) into this Construction account to total \$31,000,000.

The SRF Loan Agreement requires a five percent (5%) contingency, so 3.4% or (\$1,009,835) of the loan is available for coverage and the NUA will need to write a letter to ODEQ stating the remaining 1.6% (or \$489,673.25) of coverage can be provided from the Water Fund.

**RECOMMENDATION 1:** Recommend the NUA appropriate \$4,843,000 from the Water Fund Balance (account 031-0000-253.20-00) to Water Treatment Plant Improvement, Phase II Construction (account number 031-9939-462.61-01; Project WB0292).

**RECOMMENDATION 2:** Recommend the NUA accept the bids received in response to Project Bid 1617-37 and award the bid to Foley Company of Kansas City, Missouri in the amount of \$29,990,165.

**RECOMMENDATION 3:** Recommend the NUA authorize the Chairman to sign Contract K-1617-121 in the amount of \$29,990,165 with Foley Company.

**RECOMMENDATION 4:** Recommend the NUA approve Performance Bond B-1617-87, Statutory Bond B-1617-88, and Maintenance Bond MB-1617-75; all bonds being in the amount of the construction contract.

**RECOMMENDATION 5:** Recommend the NUA allow the Utilities Director to approve the purchase of equipment and materials directly from vendors at prices agreed to by Foley Company.