



MEMORANDUM



Date: June 24, 2010

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator *CHH*

Re: Regional Optimization Master Plan: Ina Road Expansion and Upgrade Project
Memorandum 4 – Recommendation for Award of Guaranteed Maximum Price 6

This is the last in a series of four memoranda that provide information regarding the ongoing Ina Road Upgrade and Expansion Project that is being advanced and will necessitate Board of Supervisor's consideration for a major contract award on July 6, 2010. The following is a list of the memoranda, including this one, that have been transmitted to provide information regarding this major contract:

- Memorandum 1: Background information (issued June 11, 2010)
- Memorandum 2: Current Status (Issued June 16, 2010)
- Memorandum 3: Construction Contract Negotiations (Issued June 18, 2010)
- Memorandum 4: Recommendation for Award Guaranteed Maximum Price (GMP) 6

As reflected in Attachment 1, Ina Road Upgrade and Expansion Project – ROMP Baseline Budget, the major project elements are categorized as follows:

Planning	\$ 5,520,000
Design	23,620,000
Construction	218,510,000
Contingency	<u>24,260,000</u>
Upgrade and Expansion Project Baseline Budget Total	\$271,910,000

Memoranda 1 through 3 regarding this project provided specific information about the planning and design tasks and certain construction expenditures that have taken place to date. As noted in Attachment 2, the previous construction activities addressed under GMPs 2 through 5 (GMP 1 is construction setup valued at \$2.4 million), resulting in a remaining project budget for major project elements covered under GMP 6 of \$169,780,047.

The Honorable Chairman and Members
Pima County Board of Supervisors
Re: ROMP: Ina Road Expansion and Upgrade Project Memorandum 4
Recommendation for Award of GMP 6

June 24, 2010
Page 2 of 3

Composition of Firm Fixed-Price GMP 6

Attachment 3 provides a summary of the major construction cost items that have been the focus of intense negotiations by Regional Wastewater Reclamation staff and the Construction Manager at Risk's (CMR's) representatives. Please note that these construction costs are categorized as follows:

Direct Construction Costs	\$134,304,236
Indirect Construction Costs	25,609,217
Allowances	<u>9,865,868</u>
Total	\$169,779,321

Within the fixed price GMP amounts, there are certain items worthy of further discussion. Those items are:

CMR Contingency

The direct construction cost elements are to be managed by the CMR, MWH Constructors. The CMR will be responsible for assuring that the subcontract work packages, procurement packages and mechanical self-perform packages remain within the approved allocations. However, a modest contingency using two percent of the fixed price GMP allows the CMR to allocate \$3,069,814 within their Fixed Price GMP to address any unforeseen amounts in the various direct-construction packages and in their indirect construction cost categories.

General Conditions

General Conditions include, but are not limited to, the following types of costs during construction: payroll costs for Project Manager or Construction Manager for work conducted at the site; payroll costs for the superintendent and full-time general foremen; payroll costs for other management personnel resident and working on the site; workers not included as direct labor costs engaged in support (e.g., loading/unloading, cleanup, etc.) administrative office personnel; costs of offices and temporary facilities including office materials, office supplies, office equipment, minor expenses; utilities, fuel, sanitary facilities and telephone services at the site; costs of contractors not in the direct employ of the CMR or subcontractors; and fees for licenses. Payroll costs mean raw salary times the annually audited salary multiplier. General Conditions costs are included in the Firm Fixed Price.

Corporate Overhead, Insurance, Payment and Performance Bond and Tax Bond

The overhead amounts allowed for MWH Constructors are negotiated amounts that are allowed to compensate the managing contractor for corporate headquarters expenses with an allocation to offset overhead expenses applied to all projects, insurance costs to provide

The Honorable Chairman and Members
Pima County Board of Supervisors
Re: ROMP: Ina Road Expansion and Upgrade Project Memorandum 4
Recommendation for Award of GMP 6

June 24, 2010

Page 3 of 3

all necessary forms of coverage related to business activities and various assurances in the form of bonds to protect the contractor and the owner in the event of unexpected circumstances. The allowance for overhead, builder's risk insurance and payment and performance bond costs is approximately 3.4 percent of the fixed-price GMP.

Construction Fee

It is appropriate for the CMR to earn a reasonable profit for undertaking the massive amount of construction under this contract. A reasonable fee amount has been negotiated with the CMR and is computed at approximately 3.5 percent of the fixed fee proposal for a total value of \$5,381,703.

Allowances

Various direct expenses are also anticipated and have been negotiated especially related to such items as Arizona gross receipts tax and items of work not in the original scope, such as the ammonia feed system, tunnel modifications and security. These allowances were individually negotiated with the CMR.

Contract Revisions

The original contract contemplated only cost-based GMPs. Because GMP 6 is Firm Fixed-Price, necessitating different contract provisions and requirements, the contract required significant revisions to accommodate the change. These revisions are implemented in Amendment No. 8, which accompanies Amendment No. 9, the GMP Amendment.

Recommendation

Based on the concluded negotiations for the Ina Road Expansion and Upgrade Project major project elements portion of the work, I recommend the Board approve Amendment Nos. 8 and 9 to the MWH Constructors contract as described in the attached memorandum (Attachment 4). These amendments establish a Firm Fixed Price for Guaranteed Maximum Price 6 at \$169,779,321. I further recommend that an owner's contingency of \$6,791,173 be added to the contract.

CHH/mjk

Attachments

c: John Bernal, Deputy County Administrator for Public Works
Michael Gritzuk, Director, Regional Wastewater Reclamation

Ina Road Upgrade and Expansion Project

Upgrade and Expansion Project – ROMP Baseline Budget		
Planning (ROMP Program Management Services)	\$	5,520,000
Design:		
Design Services – CH2MHill	\$	12,550,000
Project Management – Jacobs	\$	2,500,000
Cultural Resources	\$	4,850,000
CMAR Pre-construction Services – MWH Constructors	\$	1,840,000
RWRD CIP and Treatment Staff	\$	1,880,000
Total Design	\$	23,620,000
Construction:		
Project Management	\$	8,400,000
Post-Design Services – CH2MHill	\$	4,400,000
Construction Setup, GMP-1	\$	2,400,000
RWRD CIP and Treatment Staff	\$	2,100,000
On-call Construction Services	\$	1,210,000
Upgrade and Expansion CMAR	\$	200,000,000
Total Construction	\$	218,510,000
Contingency	\$	24,260,000
Upgrade and Expansion Project Baseline Budget	\$	271,910,000

Ina Road Upgrade and Expansion Project

Upgrade and Expansion CMAR Baseline Budget

GMP	Title	Budget	Award	Delta Increase (Savings)
2	Gravity Belt Thickener Equipment Purchase	\$ 634,809	\$ 634,809	-
3	Gravity Belt Thickener Installation	\$ 1,448,374	\$ 1,440,000	\$ (8,374)
4	Earthwork	\$ 7,343,300	\$ 4,297,787	\$ (3,045,513)
5	Digester Complex	\$ 20,793,470	\$ 19,812,092	\$ (981,378)
6	Major Project Elements	\$ 169,780,047	-	-
Upgrade and Expansion CMAR Baseline Budget		\$ 200,000,000	-	-

GMP 6 CMAR Firm Fixed Price Proposal

Direct Construction Costs:	
Subcontract Work Packages ("S" Packages)	\$ 78,692,993
Procurement Packages ("P" Packages)	\$ 24,537,510
Mechanical Self Perform Packages ("M" Packages)	\$ 28,003,919
CMAR Contingency (2.00%)	\$ 3,069,814
Total Direct Construction Costs	\$ 134,304,236
Indirect Construction Costs:	
General Conditions (Job Staff - 6.33%)	\$ 10,750,000
General Conditions (Job Indirects except Job Staff - 2.06%)	\$ 3,500,000
Permitting	\$ 220,000
Corporate Overhead (2.50%)	\$ 3,700,136
Insurance, Payment and Performance Bonds, Tax Bond	\$ 2,057,378
Construction Fee (3.50% of direct and other indirect costs)	\$ 5,381,703
Total Indirect Construction Costs	\$ 25,609,217
Allowances:	
Arizona Gross Receipts Tax	\$ 6,365,868
Ammonia Feed System	\$ 2,000,000
Tunnel Modifications	\$ 1,000,000
Security – Phase 1	\$ 500,000
Total Allowances	\$ 9,865,868
Total GMP 6 Fixed Price Proposal	\$ 169,779,321



PIMA COUNTY
REGIONAL WASTEWATER RECLAMATION DEPARTMENT
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June 21, 2010

TO: C.H. Huckelberry, P.E., County Administrator
THRU: George Widugiris, C.P.M., Director, Procurement Dept.
FROM: Michael Gritzuk, P.E., Director *[Signature]*
SUBJECT: Ina Road WRF Upgrade Project: MWHC Amendment #8 – Firm Fixed Price (FFP) Contract Modifications and MWHC Amendment #9 – Firm Fixed Price (FFP) 6B

The Regional Wastewater Reclamation Department (RWRD) respectfully requests your approval to put the following two amendments on the addendum for the July 6 Board of Supervisors meeting:

- MWHC Amendment #8 – Firm Fixed Price (FFP) Contract Modifications.
- MWHC Amendment #9 – Firm Fixed Price (FFP) GMP 6B for CMAR services related to the Ina Road WRF Capacity and Effluent Quality Upgrade project, contract #03-03-M-141162-0808.

The latter amendment is based on the 95% Design documents and will be included in a total Firm Fixed Price GMP 6 of \$169,779,321. An owner's contingency of 4%, \$6,791,173 will also be added to the contract for GMP 6B. A portion of the full GMP 6, GMP 6A in the amount of \$13,325,037.00, was added to the MWHC Contract in Amendment 7 for the early purchase of equipment.

The proposed amendment No. 9 will increase the Construction Services, Ina Road WRF Capacity and Effluent Quality Project contract, 03-03-S-141162-0808, in the amount of \$163,245,457 for the balance of GMP 6 including the owner's contingency..

Your approval of this request is appreciated. If you should have any questions or need additional information, please feel free to contact us.

CONCUR:

George Widugiris, C.P.M., Director, Procurement Dept.

Date

APPROVED:

C.H. Huckelberry, P.E., County Administrator

Date

MG:rv

cc: Eric Wieduwilt, Deputy Director of Planning and Engineering, RWRD
Michael Kostrzewski, CIP Program Manager, RWRD