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| ITEM #: | <u>55</u>       |
| DATE:   | <u>05-14-24</u> |
| DEPT:   | <u>W&amp;PC</u> |

### **COUNCIL ACTION FORM**

**SUBJECT:**                **NUTRIENT REDUCTION MODIFICATIONS PROJECT PHASE 1 -  
PROFESSIONAL SERVICES AGREEMENT AMENDMENT NUMBER 2**

**BACKGROUND:**

**On June 28, 2022, City Council approved a professional services agreement with Strand Associates for the planning, design, and bidding phases of the Water Pollution Control Facility (WPCF) Nutrient Reduction Modifications Project. The agreement provided for a fee of \$1,655,000, plus \$20,000 of hourly services for extraordinary permitting assistance as needed.**

**On May 9, 2023, Council approved an amendment to the original agreement in the amount of \$710,000 as a result of the decision to construct the project in two phases instead of three which was estimated to save approximately \$4 million. The agreement currently in place covers services through the bidding phase of the project. The Council Action Form that accompanied the first amendment included the following:**

*"...Council should also be aware that an additional amendment will be needed around the time of award of the construction contract. This future change order will add construction phase engineering services such as shop drawing review, pay request review, change order preparation, and State Revolving Fund coordination with the Iowa Department of Natural Resources and the Iowa Finance Authority. It may also include Resident Project Review to provide continuous construction oversight."*

**Staff is now presenting Amendment #2 for Council approval. The work included in Amendment #2 includes two general categories. One is the construction phase engineering services. This includes items such as shop drawing reviews, pay application reviews, design and processing of any construction change orders, monitoring the construction schedule, coordinating regular progress meetings, and responding to questions by the contractor and the City. The other category is for Resident Project Review (RPR). This provides a staff member from the consultant as a near full-time observer throughout the construction phase. City staff will also be regularly overseeing the work; however, staff does not have the same specific expertise or availability as the consultant to provide the level of oversight required. The amount of the proposed amendment is \$3,600,000.**

Staff has held detailed discussions with the consultant to review the scope of work to be provided during the construction phase to confirm that the City and Strand have the same understanding of some of the details in the scope of work, such as exactly what would be provided as "electronic operations and maintenance manuals," the level of on-site review by the various engineering disciplines, and confirmation that the contractor's construction contract includes provision whereby the contractor reimburses the engineer for certain expenses that are outside the scope of Strand's agreement with the City.

**The portion of the contract that staff scrutinized most was the scope of work for the "Resident Project Review." This is an employee of the engineer who will be on-site throughout the duration**

of the construction work, making daily observations and reporting back to the design engineers. This element of the change order is written to be paid on an hourly basis with a not-to-exceed amount. That way, the City only pays for the number of hours actually utilized.

As an anecdotal check of the "reasonableness" of the proposed fees, staff calculated Strand's fees as a percent of the overall project cost and compared it to the engineering fees paid for the Water Treatment Plant project. The Water Plant project included similar types of work (process buildings, process equipment, and office spaces), making it a good reference point. For the Water Treatment Plant project, engineering fees totaled 11.8% of the overall project costs. For the Nutrient Reduction Phase 1 project, the total engineering fees as proposed by Strand are 11.1% of the estimated total project costs. Thus, the ratios suggest the fees proposed by Strand are "reasonable" for the type and magnitude of work.

The updated project budget is as shown below.

|                                         | Expense           | Funding           |
|-----------------------------------------|-------------------|-------------------|
| Engineering                             |                   |                   |
| Original Agreement (design and bidding) | 1,675,000         |                   |
| Amendment #1                            | 763,000           |                   |
| <b>Amendment #2 (this action)</b>       | <b>3,600,000</b>  |                   |
| Other Professional Services             |                   |                   |
| Geotechnical                            | 16,620            |                   |
| Commissioning                           | 74,600            |                   |
| Special Inspections (estimated)         | 75,000            |                   |
| Construction ( <i>Engineer's OPCC</i> ) | 44,770,000        |                   |
| Owner's Equipment Allowance             | 275,000           |                   |
| Owner's Contingency                     | 4,040,780         |                   |
|                                         |                   |                   |
| Project Funding                         |                   |                   |
| FY 22/23 CIP Actual Expenses            |                   | 1,000,473         |
| FY 23/24 CIP Final Amendment            |                   | 2,289,527         |
| FY 24/25 CIP Adopted                    |                   | 25,760,000        |
| FY 25/26 CIP Projected                  |                   | 26,240,000        |
|                                         |                   |                   |
| <b>TOTALS</b>                           | <b>55,290,000</b> | <b>55,290,000</b> |

#### **ALTERNATIVES:**

1. Approve Amendment Number 2 to the professional services agreement with Strand Associates for construction phase services related to the Water Pollution Control Facility Nutrient Reduction Modifications Phase 1 Project in the additional amount of \$3,600,000, bringing the total contract amount to \$6,038,000.
2. Do not approve the amended scope and fees and provide guidance to staff regarding technical and observation services during the construction phase.

**CITY MANAGER'S RECOMMENDED ACTION:**

**When Council approved the original agreement with Strand Associates in June 2022, changes to the scope of work were anticipated, as the details of the project were still being developed and refined. When Council authorized Amendment Number One in May 2023, staff was again clear that a future amendment will be necessary.**

Staff has met with the consultant and reviewed the proposed scope of work during the construction phase of the project. An important element is the inclusion of a full-time resident project reviewer from the consultant to be on-site to observe the work in progress and serve as a liaison between the contractor and the design team. Funding for these services was anticipated and is included in the adopted Capital Improvement Plan. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.