

• **Board of Directors**
Engineering and Operations Committee

May 16, 2006 Board Meeting

8-4

Subject

Appropriate \$28.7 million to complete the Perris Valley Pipeline; and authorize an agreement with Butier Construction Managers (Approp. 15425)

Description

Background

Eastern Municipal Water District and Western Municipal Water District of Riverside County have requested additional deliveries from Metropolitan's Henry J. Mills Water Treatment Plant to meet current and future demands. The Perris Valley Pipeline project has been initiated to allow Metropolitan to meet projected treated water demands in Riverside County; maximize use of the Mills plant; offset peak demands on the Skinner plant; strengthen water delivery system reliability; and increase operational flexibility in this portion of Metropolitan's service area. The 96-inch-diameter pipeline will be approximately 6.5 miles long and have five service connections with a combined demand of 375 cubic feet per second. See [Attachment 2](#) for the Location Map and [Attachment 3](#) for the pipeline alignment.

In December 2005, Metropolitan's Board authorized a joint agreement with Eastern and Western for Metropolitan to reimburse those agencies' costs to execute the Perris Valley Pipeline project on an expedited schedule, as requested by the member agencies. With that action, funds were appropriated up to a total of \$81.3 million. There are two elements of the Perris Valley Pipeline project: (1) A short segment of the pipeline located on the Mills plant site, which is being executed by Western; and (2) The main Perris Valley Pipeline, which is being executed by Eastern. The final project costs for the main Perris Valley Pipeline had not yet been determined in December 2005, but board action was required at that time to authorize and fund the reimbursement agreement.

The initial funding for the main Perris Valley Pipeline was based upon a conceptual cost estimate, as the design had not yet progressed by December 2005 to the point where an engineer's estimate could be prepared. At that time, staff indicated that should the negotiated contract amount for the main Perris Valley Pipeline exceed Metropolitan's appropriated funds, staff would return to the Board for additional authorization.

In accordance with the December 2005 board authorization, Metropolitan entered into a joint agreement with Eastern and Western wherein Eastern is responsible for performing the design and construction of the main Perris Valley Pipeline. Eastern plans to use a two-stage, modified design-build project delivery method. Under Stage I of the modified design-build process, the competitively selected firm of Black & Veatch produced a Basis of Design report, solicited construction bids from contractors, and submitted a guaranteed maximum price proposal to Eastern for the Stage II services. Stage II services include final design and construction of the main Perris Valley Pipeline.

Perris Valley Pipeline – Reimbursement for Construction (\$28.7 million)

The proposed Stage II contract, covering completion of the main Perris Valley Pipeline, was received on February 26. Metropolitan's share of the proposed Stage II cost is estimated to be \$87.3 million, which exceeds the \$69.3 million previously budgeted for Stage II work. The Stage II budget was based upon the conceptual design prepared prior to the start of preliminary design.

A team comprised of staff from Eastern, Western and Metropolitan reviewed the Stage II proposal and determined that Metropolitan's portion of the proposed contract amount is competitive. Under the modified design-build

contract with Eastern, Black & Veatch was required to competitively bid each construction work package in accordance with the California Public Contract Code. Staff believes that several factors contributed to the increase in project costs beyond the initial program estimate. These factors include recent cost increases for materials such as steel, concrete, and asphalt; specific challenging site conditions which include considerable hard-rock excavation, extensive traffic control and street improvements required by the City of Riverside; multiple crossings of railroad tracks and roadways with short tunnels; additional right-of-way costs; acceleration of the project's construction schedule; and the current Southern California bidding climate. Staff is therefore requesting additional funding to complete the Perris Valley Pipeline.

Eastern had initially planned to design and construct two pump stations and a smaller diameter feeder pipeline as part of its own system under the same contract with Black & Veatch. However, since only one bid was received for the construction of its work, Eastern has elected not to utilize the modified design-build process for its facilities, and will instead execute its project with a traditional design-bid-build project delivery method. Metropolitan's portion of the work is still planned to be completed pursuant to the proposed contract between Eastern and Black & Veatch.

Originally, the Perris Valley Pipeline project schedule planned for partial deliveries to be made to Eastern at its first service connection by summer 2006. While that portion of the pipeline could have been completed by then, Eastern experienced a delay with the pump station facilities due to extended design-build contract negotiations and insufficient time for delivery of critical components. Although partial delivery will not be available by summer 2006, overall project completion remains on schedule for summer 2007.

This action appropriates \$28.7 million in unbudgeted funds to reimburse costs to complete the Perris Valley Pipeline in accordance with the reimbursement agreement with Eastern and Western. This amount includes \$18 million to cover the increased cost of Stage II construction (from \$69.3 to \$87.3 million); \$0.5 million for valve procurement as authorized by the Board in January 2006; \$5.5 million for construction management and inspection; and \$4.7 million for remaining budget. Metropolitan will be responsible for construction management and inspection of the main Perris Valley Pipeline, as described below. With the new appropriation of \$28.7 million, Metropolitan's total funds appropriated to date for the Perris Valley Pipeline Program will be \$110 million (\$81.3 million appropriated through December 2005 plus \$28.7 million from the current action). No further funding requests or actions are anticipated in order to complete the program.

This program has been evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team. Upon board approval, Metropolitan's fiscal year 2005/06 capital expenditure plan will be adjusted to reflect this action. See [Attachment 1](#) for the Financial Statement.

Professional Services Agreement

Staff recommends entering into a professional services agreement to provide construction management and inspection support for the main Perris Valley Pipeline. Use of consultants to supplement staff's capabilities to implement capital projects is consistent with the Corporate Resources Group's budget and business plan for fiscal year 2005/06. The planned scope of work for this agreement includes construction management services including contract administration; field inspection of the pipeline, appurtenances, and surface restoration; fabrication and welding inspection; and other specialty work such as surveying and materials testing, to verify the accuracy of the contractor's work.

Selection of a consultant to provide these services for the Perris Valley Pipeline followed a competitive process. Request for Qualifications (RFQ) No. 550 was issued in January 2004 for construction management and inspection services. In response to RFQ 550, Statements of Qualifications were submitted by 19 firms, of which nine firms were short-listed. Subsequently, Project Proposal Request No. 103570 was issued in October 2005 to the nine short-listed firms for providing as-needed construction management and inspection services, including the Perris Valley Pipeline. Six proposals were received and evaluated by staff.

Staff recommends entering into a professional services agreement with Butier Construction Managers for construction management and inspection services on the main Perris Valley Pipeline Project. Butier Construction

Managers is recommended based on their expertise and ability to provide the necessary skills to support the project.

This action authorizes the General Manager to enter into a professional services agreement with Butier Construction Managers in an amount not to exceed \$5.5 million. Metropolitan has established a Small Business Enterprise participation goal of 20 percent for this agreement. Butier Construction Managers is a certified SBE, and therefore achieves 100 percent participation.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8117: Professional and Technical Consultants

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, Western, acting as the Lead Agency, prepared and processed a Final Environmental Impact Report (Final EIR) for the Perris Valley Pipeline Project (project). The Final EIR was certified and the project was approved by the Lead Agency on December 7, 2005. The Lead Agency also approved the Findings of Fact (findings), the Statement of Overriding Considerations (SOC), and the Mitigation Monitoring and Reporting Program (MMRP). On December 13, 2005, Metropolitan, acting as a Responsible Agency under CEQA, certified that it had reviewed and considered the information in the certified Final EIR and adopted the Lead Agency's finding, SOCs, and MMRP. With the current board action, there are no substantial changes proposed to the project. Hence, the previous environmental documentation in conjunction with the project fully complies with CEQA and the State CEQA Guidelines. Accordingly, no further CEQA documentation is necessary for the Board to act with regards to the proposed action.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified 2005 Final EIR along with the adopted findings, SOC, and MMRP and that no further environmental analysis or documentation is required.

CEQA determination for Option #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Appropriate \$28.7 million for completion of the Perris Valley Pipeline;
- b. Continue with the design-build contract in accordance with the reimbursement agreement with Eastern; and
- c. Authorize an agreement with Butier Construction Managers, in an amount not to exceed \$5.5 million, for construction management and inspection services.

Fiscal Impact: \$28.7 million of unbudgeted funds under Approp. 15425

Option #2

Do not proceed with the design-build contract and instead adopt a traditional design-bid-build project delivery method in an attempt to reduce overall project costs. This option will likely extend the project completion date to late 2007 or early 2008.

Fiscal Impact: Unknown.

Option #3

Do not proceed with the project.

Fiscal Impact: None. This option will forego an opportunity to improve Metropolitan's operational flexibility and meet projected treated water demands.

Staff Recommendation

Option #1


Roy L. Wolfe
Manager, Corporate Resources

5/1/2006
Date


Jeffrey Kightlinger
General Manager

5/2/2006
Date

Attachment 1 – Financial Statement

Attachment 2 – Location Map

Attachment 3 – Perris Valley Pipeline Preliminary Alignment

BLA #4212

Financial Statement for Perris Valley Pipeline Program

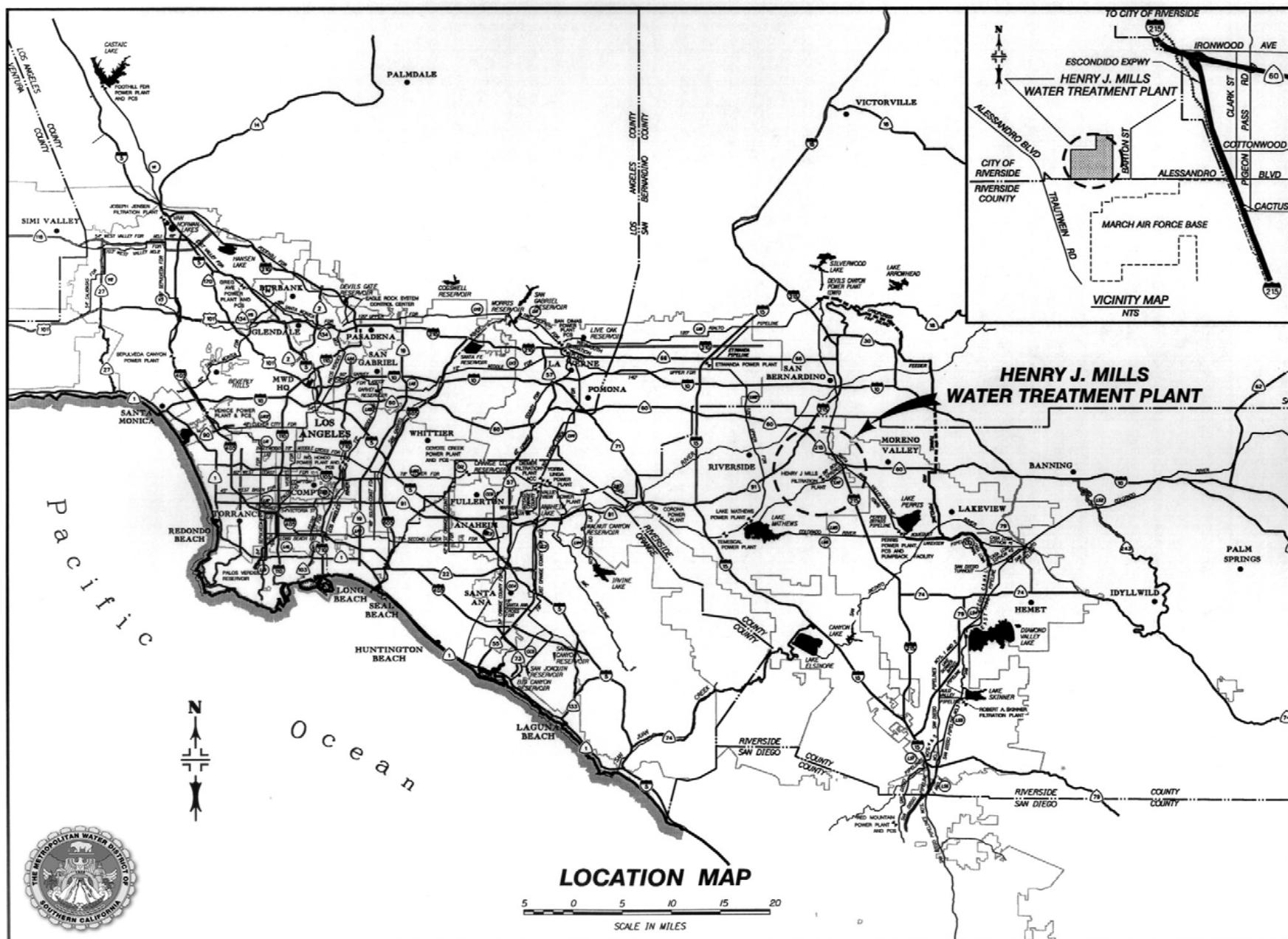
A breakdown of Board Action No. 3 for Appropriation No. 15425 is as follows:

	Previous Total Appropriated Amount (Dec. 2005)*	Current Board Action No. 3 (Apr. 2006)	New Total Appropriated Amount
Labor			
Owner Costs (Program management, bidding process, permitting)	\$ 838,125	\$ -	\$ 838,125
Design Review and Technical Assistance	805,000	-	805,000
Construction Inspection and Support	219,650	497,950	717,600
Metropolitan Force Construction	66,000	-	66,000
Materials and Supplies	10,000	-	10,000
Incidental Expenses	45,000	-	45,000
Professional/Technical Services	75,000	5,000,000	5,075,000
Contracts			
Eastern Reimbursement Agreement	2,000,000	87,284,432	89,284,432
Western Reimbursement Agreement	6,651,000	-	6,651,000
Valve Procurement	373,058	-	373,058
Remaining Budget	1,417,167	4,717,618	6,134,785
Reserved for Stage II D-B Services	68,800,000	(68,800,000)	-
Total	<u>\$ 81,300,000</u>	<u>\$ 28,700,000</u>	<u>\$ 110,000,000</u>

* Note: Includes reallocation of \$500,000 from the reserved funds for valve procurement as authorized at the January 2006 Board meeting

Funding Request

Program Name:	Perris Valley Pipeline Program		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15425	Board Action No.:	3
Requested Amount:	\$ 28,700,000	Capital Program No.:	15425-I
Total Appropriated Amount:	\$ 110,000,000	Capital Program Page No.:	E-50
Total Program Estimate:	\$ 110,000,000	Program Goal:	Reliability



Perris Valley Pipeline Preliminary Alignment

