



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

8/17/2010 Board Meeting

7-4

Subject

Authorize on-call professional services agreements with Black & Veatch, Kennedy/Jenks Consultants, and MWH Americas, Inc. in support of board-authorized Capital Investment Plan projects

Description

This action authorizes three new on-call agreements with consultants; \$2 million/yr for 3 years to provide professional services on board-authorized capital projects with specialized needs and technical issues over limited durations. The consultants are used to provide specialized services where the expertise or available resources do not reside in-house. No funding or project authorizations are requested at this time. Funding for the work to be assigned to the consultants has either previously been appropriated under individual capital programs, or will be the subject of future actions. No work is guaranteed to the consultants under these agreements.

Timing and Urgency

Staff has identified the need to utilize both on-call and project-specific professional services agreements to execute authorized Capital Investment Plan (CIP) projects in accordance with board-adopted schedules. The use of both types of professional services agreements is necessary for the completion of budgeted capital projects on schedule and in the most efficient manner possible. This strategy relies on in-house engineering staff to handle the base-load of projects, while professional services agreements are selectively utilized to handle projects above this base-load or where specialized needs are required over a limited-duration. On-call agreements are used to execute project task orders from smaller value, shorter duration assignments.

The recommended on-call agreements will allow Metropolitan staff to be strategically assigned to projects in order to best maintain key technical competencies and to address urgent projects, or those with higher levels of risk. These agreements will be used when specialized expertise is needed, or when Metropolitan staff are assigned to higher priority capital project work. Contracting with multiple firms will provide Metropolitan with maximum flexibility in obtaining necessary professional services tailored to each firm's expertise.

Metropolitan's reliance on on-call and project-specific agreements for both capital and O&M work has declined in recent years. The recommended agreements will support capital programs based on the specific needs contained in Metropolitan's fiscal year 2010/11 CIP.

Strategy for Staffing Capital Projects

Metropolitan's Board adopts an operating budget annually that includes planned expenditures for capital programs, which are aggregated within the CIP. The CIP contains the programs and projects necessary for investment in Metropolitan's infrastructure, operating systems, and other assets. Specific projects are authorized by the Board throughout the fiscal year, consistent with that year's CIP. When individual capital projects are recommended to the Board for authorization and funding, staff's plan for executing the projects is described. The work required to implement capital projects typically utilizes available in-house staff first, with consultant professional services used only where appropriate. Metropolitan's staffing approach for capital projects relies on in-house labor resources to the fullest extent practical. This approach maintains a stable, responsive and experienced workforce, and is consistent with Metropolitan's succession planning efforts. On-call and project-

specific professional services agreements are only used when such technical expertise or resources are required over limited durations. On-call agreements are used to execute project task orders from smaller value, shorter duration, and specific projects. This approach provides a high degree of flexibility, quick response time, and lower administrative costs for Metropolitan and the consultants. Project-specific agreements are typically more appropriate for longer individual projects, which require a dedicated consultant team for an extended period of time.

Determination of Need for Professional Services Agreement – Metropolitan examines its need for both on-call and project-specific professional services agreements to support capital projects on both a long- and near-term basis. A 5-to-10-year CIP projection of future capital work provides a broad assessment of the relative needs of in-house staff and consultants. Upon board adoption of the annual budget, staff's assessment of consultant needs is focused on specific programs and individual projects. Once the labor resource needs for the annual CIP are identified, staff reviews and considers the current status and scope of individual projects, and makes a determination if any additional staff should be hired. Following this determination, the need for on-call and project-specific professional services agreements is identified. Metropolitan's capital projects may need on-call or project-specific agreements consultant professional services in areas such as:

- Architectural and landscape design
- Geotechnical investigations
- Surge analyses and complex hydraulics
- Health/safety and environmental services
- Value engineering and other third-party reviews
- Water treatment plant design
- Distribution system design
- Construction inspection
- Project controls

Metropolitan's reliance on-call and project-specific professional services agreements to implement the CIP has declined in recent years. This decline reflects renewed focus on executing capital projects with in-house staff, as well as the reduction in Metropolitan's capital budget as CIP programs have been deferred. The following chart shows actual expenditures for professional services for on-call and project-specific capital work, along with total expenditures on the CIP, for fiscal years 2005/06 through 2009/10. The budgeted costs for fiscal year 2010/11 are also shown, with a planned professional services expenditure of \$27 million, which is a 42 percent reduction from five years ago.

**Expenditures per Fiscal Year
(\$ millions)**

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 (Budget)
Professional Services (Capital)	\$46.6	\$59.6	\$59.5	\$30.5	\$45.3	\$27.0
Total CIP	\$421.3	\$537.5	\$380.7	\$299.5	\$290.1	\$259.9

The need for professional services agreements varies from year to year. The current ten-year CIP forecasts an increasing need for consultants in fiscal year 2011/12 and fiscal year 2012/13, as capital programs move forward. Staff will continue to regularly assess the resources required for capital projects. If the required resources exceed

available staffing, or specialized technical expertise is required, staff will return to the Board to recommend additional consultant agreements. Future recommended agreements, if any, may be either additional on-call or project-specific professional services agreements, as required by capital project needs.

Practices for Selection and Management of On-call Consultants – Metropolitan’s selection of consulting firms for capital projects follow a competitive process and typically involve two steps. Step one is initiated with release of a Request for Qualifications (RFQ) for an identified area of engineering support, such as water treatment plant design. The RFQ solicits Statements of Qualifications (SOQs) from interested consulting firms. The SOQs are evaluated on a competitive basis against specific criteria noted in the RFQ. The result of Step One is a shortlist, or pool of pre-qualified consulting firms. The shortlist is typically valid for a specified period of time (e.g., two years). Step Two in the process, involving final selection and execution of on-call agreements, occurs as specific capital project needs are identified.

The professional services agreements resulting from this process may be for a single project, where the consultant produces a stand-alone product such as a complete design package, ready for competitive bidding. The agreements may also be for professional support (such as geotechnical analyses) on multiple projects, which are handled by Metropolitan staff. Under all professional services agreements, the consulting firm is required to maintain full and complete management/supervisory authority over its own staff. Metropolitan’s past practice of integrated project teams is no longer permitted.

In support of Metropolitan’s goal of increasing business opportunities for Small Business Enterprise (SBE) firms, staff establishes SBE participation levels for the vast majority of professional services agreements for capital projects. The only exceptions are for highly specialized areas of expertise, or for the uncommon occasions when subconsulting opportunities are limited. During fiscal year 2007/08, more than 33 percent of all expenditures on professional services agreements were paid to prime or subconsultant SBE firms.

Three Engineering Services Agreements - Authorization (No funds required)

Request for Qualifications (RFQ) No. 927 was issued in October 2009 for on-call services support on projects related to Metropolitan’s conveyance, storage, water treatment, and distribution facilities. Staff reviewed SOQs from 16 firms, and evaluated those firms based on qualifications, key personnel, experience related to planned capital projects, and past performance. A total of 13 firms were prequalified to provide engineering services through this process.

Based on the ten-year CIP forecast discussed above, staff anticipates that a minimum of five to seven on-call professional services agreements will be needed over the next several years for capital projects. Three initial agreements are recommended at this time based on the current fiscal year 2010/11 CIP. Staff will return to the Board in the future to recommend additional agreements based on future project needs.

The three firms recommended for on-call agreements at this time to provide professional services are: Black & Veatch, Kennedy/Jenks Consultants, and MWH Americas, Inc. These firms were selected based on the above evaluation criteria and because their expertise and experience most closely match upcoming needs on planned capital projects. Each firm has committed to achieve an SBE participation level of at least 18 percent of the amount of the agreement. Projects planned to be initially assigned to these firms fall under the following categories:

- Colorado River Aqueduct (CRA)
 - 230 kV Disconnect Switches Replacement
 - Intake Power Communication Line Replacement
 - Auxiliary Power System Rehabilitation
- Storage and Distribution Facilities
 - Sepulveda Canyon Power Plant Tail Race Coatings
 - Nitrogen Storage Study at Various Facilities
 - Etiwanda Pipeline Lining Studies and Repairs

- Water Treatment Plants
 - Jensen Electrical Vaults & Manholes Rehabilitation
 - Skinner Administration Building Assessment and Rehabilitation
 - Weymouth Basins Nos. 1 and 2 Rehabilitation

Staff recommends moving forward with three on-call agreements, in amounts not to exceed \$2 million each per year, to provide a portion of the resources needed to complete capital projects based on CIP budget projections. The agreements are planned for a duration of approximately three years, and will each have a not-to-exceed total of \$6 million over the term of the agreement. This approach will cover typical durations of three years for projects involving workshops, studies, investigations, and designs. When an engineering consultant provides design services as the engineer-of-record, staff will return to the Board in the future, as needed, to extend the term of the agreement through the completion of construction.

This action authorizes the General Manager to enter into on-call agreements with Black & Veatch, Kennedy/Jenks Consultants, and MWH Americas, Inc., in amounts not to exceed \$2 million each per year, to provide consultant engineering services on capital projects. These firms were selected because their expertise and experience most closely match upcoming needs on planned capital projects. Under these agreements, work assignments will be issued to each firm on a task-order basis. Funding for the capital work to be assigned to the consultants is budgeted and has either previously been approved by the Board under individual capital programs, or will be recommended to the Board for approval in upcoming months. No work is guaranteed to the consultants under these agreements. For each agreement, Metropolitan has established a Small Business Enterprise participation goal of 18 percent.

Use of these consultant agreements will assist Metropolitan in completing capital projects that are consistent with Metropolitan's goal for sustainability of water treatment, conveyance, storage and distribution facilities in order to maintain reliable water deliveries in the future.

Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination and authorize agreements with Black & Veatch, Kennedy/Jenks Consultants, and MWH Americas, Inc. for engineering support services, in amounts not to exceed \$2 million each per year, with a maximum total amount of \$6 million per agreement.

Fiscal Impact: None. Expenditures are budgeted and appropriated under the individual capital programs on an individual basis.

Business Analysis: Contracting with multiple firms provides Metropolitan with maximum flexibility in obtaining necessary engineering services and specialized expertise to support the completion of capital projects in accordance with board-adopted schedules.

Option #2

Do not authorize the consulting agreements.

Fiscal Impact: None

Business Analysis: This option would require Metropolitan staff to perform all engineering activities, which would result in delays to essential projects and may require additional staff, some with special technical expertise that is not found in-house, to be hired.

Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

8/5/2010
Date



Jeffrey Kightlinger
General Manager

8/5/2010
Date

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