



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Matt Cano

SUBJECT: SEE BELOW

DATE: August 31, 2020

Approved

Date

9/3/2020

SUBJECT: 9438 – MASTER CONSULTANT AGREEMENTS WITH PARSONS TRANSPORTATION GROUP, INC., HDR ENGINEERING, CDM SMITH INC., KENNEDY/JENKS CONSULTANTS, INC. FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES AT THE SAN JOSE-SANTA CLARA REGIONAL WASTEWATER FACILITY CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION

Approve Master Consultant Agreements with Parsons Transportation Group, Inc., HDR Engineering, CDM Smith Inc., and Kennedy/Jenks Consultants, Inc. for construction management and inspection services for various capital improvement projects at the San José-Santa Clara Regional Wastewater Facility from the date of execution through June 30, 2026 in amounts not to exceed \$10,000,000 each, subject to the appropriation of funds.

OUTCOME

Approval of the master consultant agreements will supplement existing City resources with construction management and inspection services for a variety of projects for the Capital Improvement Program (CIP) at the San José-Santa Clara Regional Wastewater Facility (RWF). Approval of these master consultant agreements will not result in any physical changes to the environment, as the City Council will need to take additional actions before construction on any capital project commences.

BACKGROUND

The RWF is an advanced wastewater treatment facility that treats an average of 110 million gallons per day of wastewater collected from eight South Bay cities and four special districts. A majority of infrastructure at RWF is more than 50 years old and has exceeded its useful life. The RWF is currently undertaking numerous projects under the CIP to improve and upgrade

infrastructure. The CIP includes 20 active projects that are collectively valued at more than \$1,050,000,000 and will be under construction over the next several years. Projects range in size from \$5,000,000 to over \$200,000,000. Major projects that will soon be in construction include Advanced Facility Control and Meter Replacement - Phase 2, Digested Sludge Dewatering Facility, Facility-wide Water Systems Improvements, Filter Rehabilitation, and Yard Piping Improvements – Phase 1.

Historically, the RWF CIP Construction Management (CM) team had the capacity and expertise to manage and inspect all CIP projects. However, the size, complexity, and number of capital projects going into construction over the past four years has required the CM team to supplement staff resources with third-party construction management and inspection services. That level of construction activity is expected to continue for the next four years. Most of these projects are inter-related, requiring a great deal of inspection, scheduling and coordination efforts.

In 2016, the RWF CIP executed construction management master agreements with Kennedy/Jenks Consultants, Inc. and MNS Engineers, Inc. with not-to-exceed amounts of \$8,000,000 each. The capacity of both agreements is nearly exhausted for services required for projects currently under construction. New master consultant agreements are needed to replace the previous agreements for upcoming projects.

ANALYSIS

The next four years will be the peak of construction activity for the RWF CIP and will require significant resources with expertise, experience and capacity to effectively manage the workload. Employing third-party construction management services to supplement existing resources is common on large capital programs and has proven to be successful at the RWF. Consultant construction management resources gives the City the flexibility to manage the peak and non-peak periods of activity.

On February 19, 2020, the City issued an RFQ seeking up to four firms for as-needed construction management and inspection services for various projects at the RWF. The RFQ was specifically focused on consultants with previous construction management experience in wastewater facilities. The City received responsive Statements of Qualifications (SOQs) by the April 9, 2020 submittal deadline from the following firms:

- CDM Smith, Inc. (CDM)
- HDR Engineering, Inc. (HDR)
- Hazen & Sawyer (H&S)
- Kennedy/Jenks Consultants, Inc. (KJ)
- Parsons Transportation Group, Inc. (Parsons)

A Technical Evaluation Panel (TEP) was formed with individuals from the Environmental Services Department and Public Works Department to evaluate the SOQs following procedures

outlined in the RFQ. Each TEP member evaluated the SOQs using a consistent scoring matrix based on the firm’s expertise, experience, approach, cost, Local/Small Business Enterprise (LBE/SBE) status. Each firm’s total score comprised their SOQ score and LBE/SBE status. Interviews were not conducted for this procurement. The scored categories were as follows:

Evaluation Categories	Possible Points
Technical Evaluation Criteria	
Proposal Responsiveness	Pass/Fail
Expertise	40
Experience	30
Approach	30
Non-Technical Criteria	
Cost Form	20
Local Business Enterprise	10
Small Business Enterprise	10
TOTAL	140

All five firms met the minimum qualifications and passed the proposal responsiveness requirement. All five firms qualified for LBE points but none of the firms qualified for SBE status. All firms were evaluated on their resources, experience, and approach to construction management. On July 17, 2020, the Notification of Final Ranking was posted on Biddingo showing the following:

Rank	Firm	Expertise	Experience	Approach	Overall Technical	Cost	LBE	SBE	Total
1	Parsons	33.5	26.33	22.67	82.50	20	7	0	109.50
2	HDR	36.67	24.67	26.16	87.50	5	7	0	99.50
3	CDM Smith	30.00	24.00	23.00	77.00	15	7	0	99.00
4	Kennedy Jenks	31.33	23.83	22.00	77.17	0	7	0	84.17
5	Hazen & Sawyer	27.00	22.00	15.00	64.00	10	7	0	81.00

The technical criteria scores (expertise, experience, and approach) ranged from 64 to 87 points, out of a possible 100 points. The ranking of firms after the technical scoring was HDR, Parsons, KJ, CDM Smith and Hazen Sawyer. Hazen and Sawyer, was more than 13 points below the to four firms. Once technical scores were finalized, cost proposals were evaluated. For the purpose of this procurement, costs proposals were ranked from lowest to highest, with the lowest cost proposal receiving the full 20 points, and the next four allocated 15, 10, 5 and 0 points respectively. This is the first time staff used this methodology for evaluating costs, but it will not be used again, since the methodology does not account for sensitivity in the cost component, so the points allocated don’t correspond to the magnitude of difference in the cost. In this case, after adding the cost component, the final ranking was Parsons, HDR, CDM Smith and Kennedy Jenks and Hazen and Sawyer. While the final scores seem to be close between the fourth and fifth firms, the technical scores were significantly apart. Staff believes that having four firms

available to provide CM services will provide the program with enough flexibility and capacity to address the needs for the next years and is recommending the award of contracts to the top four firms. It should be mentioned that Kennedy Jenks, the firm ranked as fourth, has been providing CM services for the City under an existing agreement and staff is extremely satisfied with the quality of the services provided to date. They have been working exclusively in the Digester and Thickener Facilities Upgrades project, one of the largest and more complex projects in the CIP, which is due for completion this fiscal year.

Award Recommendation

Staff recommends awarding one Master Consultant Agreement in an amount not to exceed \$10,000,000 and a duration of six years to each of the top four firms. Currently, the CIP anticipates approximately \$350 million in construction costs through 2026. The proposed amount for the agreements will support a full range of services required for inspection, construction management, start up, commissioning, and all other activities required for the successful completion of these projects.

All four firms selected have proven track records and experience providing construction management services for similar municipalities and programs of comparable size of the RWF CIP.

Parsons, the top-ranked firm, has supported municipalities, utilities, governments, and the private industry clients with a full range of professional services, including planning, design and construction management. In the past 20 years, Parsons has managed the construction of more than \$5 billion in water and wastewater facilities in California, including Sacramento Regional County Sanitation District's EchoWater Project and Hyperion Treatment Plant's Secondary Effluent Pump Station Improvement Project.

HDR, the second-ranked firm, has been involved in engineering work for over one hundred projects for major wastewater treatment plants nationwide, and is currently providing design services for the RWF CIP's Nitrification Clarifiers Rehabilitation – Phase 1 project. The firm has provided construction management and inspection of treatment facilities with a construction value of more than \$6.8 billion in Northern California. Their experience includes completion of Los Osos Water Recycling Facility and El Dorado Hills Wastewater Treatment Plant Expansion.

CDM has over 75 years of providing professional construction management and engineering services. In the last 10 years, they have delivered 150 projects at wastewater facilities worldwide. Projects that CDM has completed include the South Regional Tertiary Treatment Plant and Annacis Island Wastewater Treatment Plant Stage 5 Expansion. CDM is currently under agreement with the City to provide owner advisor and construction management services solely for the Headworks Project. There is a separate Council item recommending an amendment to that agreement to alter authorized travel expenses and extend the term by a year.

KJ is a 97-year old, California based engineering consulting firm focused on water/wastewater and environmental design and construction management. The firm has completed over 3,700 construction management assignments. They have also completed the Water Quality Control Plant Wet Weather and Digester Improvements in Palo Alto. KJ is currently providing construction management services for the RWF CIP's Digester and Thickener Facilities Upgrade project under an existing agreement with a not-to-exceed amount of \$8,000,000 and term through June 30, 2024. That agreement's capacity is nearly exhausted and will not be able to be used for upcoming projects. There is a separate Council item recommending an amendment to that agreement to alter authorized travel expenses.

All firms will be compensated based on their actual hourly wages' times a multiplier for onsite and offsite staff. The multipliers are based on an independent auditor's financial report, and in addition to the firms' direct labor cost, the respective multipliers cover all the firms overhead (e.g. fringe benefits, payroll taxes, group insurance, building/rental expenses, etc.) associated project cost (e.g. computer equipment, network, and telecommunications expenses, routine printing and copying, etc.), and profit limited to 10 percent under the master agreement.

All firms provided two proposed multipliers, one for offsite employees working from their home offices, and one for onsite employees, often in the case of construction management staff co-located at the RWF to oversee day to day construction. The different multipliers reflect the fact that the City will be providing certain office support to individuals that work onsite full time, and therefore, the consultants will not incur the same overhead expenses and associated project costs for these individuals. The proposed multipliers are summarized below:

Firm	Onsite Multiplier	Offsite Multiplier
Parsons	2.13	2.47
HDR	2.75	3.13
CDM	2.45	3.08
KJ	2.82	3.31

The master consultant agreements also allow the firms to receive compensations for pre-approved subconsultants and contract personnel, as well as certain reimbursable expenses like travel expenses. All travel expenses must be consistent with the CIP Consultant Travel Policy adopted by the RWF CIP, which incorporates and expands upon the City's Employee Travel Policy.

Service Orders will be project-specific with duration and scope depending on the size and complexity of the project. Assignment of the service order will be made on a rotational basis between the four firms with the first service order to be issued to the top-ranked firm. However, the City may elect to issue a service order outside of the rotation for urgent work or other special circumstances (e.g., certain expertise, the familiarity of a previous project, staff availability, etc.). The scope of services will be based on an integrated team approach between City staff and the consultant. For each project, staff will negotiate the scope of services, deliverables, schedule, and

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cost with the selected firm. The term of the agreement will be from execution date through June 30, 2026 unless terminated earlier according to its terms.

CONCLUSION

Based on staff's evaluation of the SOQs, staff recommends awarding master consultant agreements to Parsons, HDR, CDM, and KJ.

EVALUATION AND FOLLOW-UP

No additional follow-up action with the City Council is expected at this time. All service orders issued under these master consultant agreements over \$100,000 in value will be reported to the Treatment Plant Advisory Committee (TPAC) on the monthly summary of procurement and contract activity. A progress report on RWF capital projects will be made to the Transportation and Environment Committee and the City Council on a semiannual basis. Monthly progress reports of the RWF CIP will also be submitted to TPAC and posted on the City's website.

CLIMATE SMART SAN JOSE

The master consultant agreements will not affect energy or water consumption. The recommendation in this memo will have no effect on Climate Smart San José energy, water, or mobility goals.

POLICY ALTERNATIVES

Alternative 1: Direct City staff to provide the required services with in-house resources.

Pros: Provides additional work opportunities for Public Works staff and would further develop skills in construction management and inspection.

Cons: Public Works does not possess the capacity or technical expertise needed for all of the anticipated projects, which could lead to possible construction delays. Recruitment and training effort efforts would need to increase significantly and immediately while construction work is already underway. Specialized expertise such as start-up/commissioning, inspection, and properly certified employees may be difficult to recruit.

Reason for not recommending: The City would need to hire multiple new staff members with wastewater construction management and inspection experience in various disciplines. This would add time and cost to projects and would likely result in needing to release newly hired staff at the completion of these projects, when their services would no longer be required.

PUBLIC OUTREACH

The Request for Qualifications was advertised Biddingo.com on February 19, 2020 and in the San José Post Record. This memorandum will be posted on the City's Council Agenda for the September 22, 2020 City Council meeting.

COORDINATION

This project and memorandum have been coordinated with Public Works, the City Manager's Budget Office, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard at the September 10, 2020 TPAC meeting. A supplemental memo with the Committee's recommendation will be included in the amended September 22, 2020 City Council meeting agenda.

FISCAL/POLICY ALIGNMENT

Construction of CIP projects is consistent with the City Council's approved budget strategy to focus on rehabilitation aging RWF infrastructure, improve efficiency, and reduce operating costs. This work is also consistent with the budget strategy principle of focusing on protecting vital core services.

COST SUMMARY/IMPLICATIONS

- | | | |
|----|---------------------------|---------------------|
| 1. | AMOUNT OF RECOMMENDATION: | \$40,000,000 |
| | Parsons | \$10,000,000 |
| | HDR | \$10,000,000 |
| | CDM | \$10,000,000 |
| | KJ | <u>\$10,000,000</u> |
| | TOTAL AGREEMENT AMOUNT | \$40,000,000 |
2. COST ELEMENTS OF AGREEMENT/CONTRACT: The consultant's services are reimbursed on actual hourly wages times a multiplier, which is based on an independent auditor's financial report and will not change during the term of the master agreement. The firms are also compensated for pre-approved subconsultants and contract personnel, as well as certain reimbursement expenses.
3. SOURCE OF FUNDING: 512 - San Jose/Santa Clara Treatment Plant Operating Fund.
4. FISCAL IMPACT: This work is funded through the San José-Santa Clara Treatment Plant Capital Fund and will have no impact on the San José-Santa Clara Treatment Plant Operating Fund (Fund 513) or the General Fund.
5. PROJECT COST ALLOCATION: The cost for consultant services performed for a project will be allocated per the allocations of that project in accordance with the recommendations set forth in the Capital Project Cost Allocations Technical Memo (Carollo Engineers, March 2016).

BUDGET REFERENCE

Services performed by the Consultants under this agreement will be authorized by service orders. An appropriation is not required for the execution of these master consultant agreements but is required for each service order authorized under these agreements. Future funding is subject to appropriation and, if needed, will be included in the development of future year budgets during the annual budget process.

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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment. The projects that will be assigned to construction management consultants will have undergone CEQA approval on a project-by-project basis.

/s/

KERRIE ROMANOW

Director, Environmental Services

/s/

MATT CANO

Director, Public Works

For questions, please contact Napp Fukuda, Assistant Director of the Environmental Services Department, at (408) 793-5353.