

AGENDA MEMORANDUM Action Item for the City Council Meeting of June 25, 2024

- **DATE:** June 25, 2024
- TO: Peter Zanoni, City Manager
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Resolution authorizing execution of all documents necessary to enter into a contract with the top ranked design build contractor.

# CAPTION:

Resolution authorizing the execution of a contract and subsequent amendment(s), following the Request for Proposals (RFP), with the selected design-build firm for design services for the Inner Harbor Seawater Desalination Treatment Plant Project in the estimated amount of \$68,000,000.00, authorizing execution of Phase 1A, Phase 1B, and early work packages in the estimated amount of \$69,250,000.00, and authorizing acquisition of property in the estimated amount of \$750,000.00, for a total amount not to exceed \$138,000,000.00; and determining all costs attributable to Raw Water; with funding available from the State Water Implementation Fund for Texas (SWIFT).

#### SUMMARY:

Resolution authorizing a contract with the selected design-build firm, land acquisition, and authorizing subsequent amendment(s) and early work packages.

# **BACKGROUND AND FINDINGS:**

This item authorizes up to \$138,000,000.00 for the execution of a contract and subsequent amendment(s), following the Request for Proposals with the selected designbuild firm for design services for the Inner Harbor Seawater Desalination Treatment Plant Project.

Obtaining authorization to select a design-build firm can significantly expedite project delivery times. With approval of this authorization, we can streamline the contractual process and reduce project delays, which are currently estimated to be \$2.3M per month. This proactive approach is one the City utilizes for major capital projects such as bond projects, and one used for the Mary Rhodes Pipeline.

This item authorizes an estimated amount of \$68,000,000.00 for Phase 1A and Phase 1B; planning, design, and other pre-construction phase services necessary to finalize a guaranteed maximum price (GMP) proposal for Phase 2 services.

Authorization of early work packages in the estimated amount of \$69,250,000.00 is also included in this item as well as acquisition of property in the estimated amount of \$750,000.00.

# Procurement and Project Delivery:

The City of Corpus Christi (City) is working through the final selection, negotiation, and execution for the Project's pre-construction phase services and to advance the Project to a guaranteed maximum price proposal.

This item will authorize the City Manager to execute the activities necessary to bring the construction-phase GMP proposal for City Council consideration as summarized below. An executive summary of the scope of work is attached.

- Negotiation, contract execution, and necessary contract amendment(s)/extensions to deliver the pre-construction phase design-build services with one of the three teams listed above in accordance with the Texas Government Code (TGC) 2269.
- Contract execution for equipment pre-purchase items to facilitate the Project design and construction schedule.
- Finalize property acquisition to support the project including acquiring pipeline easements to the point of connection.

The City is also progressing the new SWIFT III funding application, which was approved during the January 30<sup>th</sup> Council meeting.

The construction industry is still experiencing significant cost escalation as a result of continued market pressures and supply chain issues. Consequently, delays to any project of this magnitude can have a meaningful impact on the Project's overall cost; in the range of \$2.3M per month.

# Procurement, Negotiation, and Pre-Construction Phase Design-Build Contract Execution:

When compared to other delivery methods, such as Fixed-Price Design-Build (FPDB) and Public-Private-Partnership (PPP), the Progressive Design-Build (PDB) delivery process allows the City significant input to the design development and increases the transparency of how decisions are made. These benefits are critical to the long-term success of the Project under City operations and for positive community engagement

throughout design and construction. Under Texas Government Code (TGC 2269), a twostep procurement process is required to select the City's PDB partner. The first step in the procurement process is to qualify the respondent firms, which has been completed.

The short-list will proceed to the second step, where they will respond to the City's Request for Proposals (RFP) by providing technical and cost proposals to the Evaluation Committee. The Evaluation Committee will review the proposals and rank the proposers.

Once the ranking is established, the City will select the top-ranked proposer for preconstruction services. These services will finalize the plant layout and major treatment process recommendations, allow community engagement and input, and establish the treatment pilot testing requirements for the facility design. These services will also finalize the project budget, schedule, and coordination requirements that will serve as the basis for detailed-design services up to the GMP proposal.

Given the timing requirements on the expenditure of SWIFT II funds and the importance of minimizing cost escalation, it is imperative that the City maintain momentum from the completion of negotiations into delivery of services. It is equally important that the City move through subsequent negotiations and contract amendments more efficiently than can typically be afforded with individual City Council approvals. To this end, a best practice in delivery of major capital projects, and one the City has used on past water supply projects, is to authorize the City Manager to execute contracts and amendments with parameters on communication to Council when the authority is exercised. The City Manager will provide a report to Council as soon as possible after a contract or amendment is executed.

# Pre-Construction Phase Delivery:

The Project's preconstruction phase requires multiple significant actions that must be conducted in concert and within the flow of the work to ensure an on-schedule delivery of a GMP proposal.

The Pre-Construction Phase Services of Phase 1 are broken into two parts, Phase 1A and Phase 1B. Phase 1A includes finalizing the pilot protocol, procuring the pilot equipment, and providing a detailed facility plan and treatment approach that establishes the Project's full-scale design requirements. Under the preliminary engineering phase (Phase 1A), the City will finalize items necessary for the design to progress into final design (Phase 1B). Notably within the preliminary engineering phase, the City and the contracting team will finalize the requirements for final design, including budget, schedule and quality objectives. Once agreed to, the design-build contract will be amended to reflect the final design schedule and budgetary requirements.

The Project's regulatory pilot (for TCEQ new source approval) and operational pilot (for long-term operations and water integration planning) will be performed. Either the City or the contracting team will purchase the pilot equipment with the expectation that the contracting team will operate the pilot for at least the regulatory period per the TCEQ. The equipment will remain available to the designers and the City following completion of the regulatory pilot to support design development and understanding of operating conditions that the City will manage through long-term operations. While these two piloting phases will likely use the same equipment, the initial purchase and any modifications to the pilot need to occur seamlessly to maintain project schedule.

Following receipt of final permitting for the facility, the primary desalination process equipment and major electrical equipment will be acquired in the pre-construction phase.

This not only facilitates the design process, but also the project budget and the overall project schedule by locking in the equipment that drives the design, limiting cost escalation risk, and determining a delivery date for equipment that the Project construction can be planned around.

Finally, the final design will be developed to the point where key elements can be bid based on the subcontractor selection plan. A GMP proposal will then be negotiated and agreed to by the City. It is typical for a project to evolve through design, even under a progressive design-build approach. The City will need to respond quickly to risk management and design development items that require modification to the contracts supporting final design the project.

# **GMP and Construction Phase:**

When the final design has progressed to a point where the value of construction phase risks can be appropriately quantified, the City and the Design-Build team will negotiate a GMP proposal for construction. If the City and the Design-Build team cannot agree on a GMP for the project, the contract allows the City to terminate the agreement with the Design-Build team and convert the Project delivery into a design-bid-build with the Design-Build team engineer of record serving as the City's engineer of record to finalize the design and bid the Project. This point in the Project lifecycle provides a logical transition between "design" work and "construction" work. Staff will present a GMP proposal to City Council, and if approved, the City will proceed to full facility construction.

# ALTERNATIVES:

The alternative is not to follow the best practices in delivery of major capital projects. If the City were not to authorize the resolution, the City would not be following best practices in delivery of a major capital project. The City strives to follow best practices and has authorized the City Manager in past water supply projects with parameters on communication to Council when Authority is exercised.

# FISCAL IMPACT:

The fiscal impact in FY2025 is an amount not to exceed \$138,000,000.00 with funding available from the SWIFT loan 2 funds.

# FUNDING DETAIL:

Fund:SWIFT Loan 2 (Fund 4488)Department:Water (45)Org:Grants and Capital Projects (89)Activity:E15117-01-4488-EXPAmount\$138,000,000.00

#### **RECOMMENDATION:**

Staff recommends approval of the resolution authorizing execution of a contract and amendment(s) for early work packages.

# LIST OF SUPPORTING DOCUMENTS:

Resolution COF Pre-construction phase services scope executive summary