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Title: Approve a Sixth Amendment to the Professional Consultant Agreement with CH2M HILL Engineers, Inc., for an amount not-to-exceed \$13,600,000 for Fiscal Year 2018 Program Management Services and for extension of the Agreement term by one year, through October 31, 2018 (Citywide)

Sponsors: Department of Public Utilities

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Attachments: 1. 6th Amendment.pdf, 2. 2017-05-11 CH2M Prog Mgmt 6th Amend-FY2018_Exhibit A-Original Scope.pdf, 3. Fresno-PgM_FY2017 Prelim Annual Summary Report_v03-Final.pdf, 4. FY18 Capital Project Activity_v02-Final.pdf

Date	Ver.	Action By	Action	Result
5/11/2017	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

May 11, 2017

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Department of Public Utilities

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SUBJECT

Approve a Sixth Amendment to the Professional Consultant Agreement with CH2M HILL Engineers, Inc., for an amount not-to-exceed \$13,600,000 for Fiscal Year 2018 Program Management Services and for extension of the Agreement term by one year, through October 31, 2018 (Citywide)

RECOMMENDATIONS

Staff recommends that Council approve the Sixth Amendment (Amendment) to the Professional Consultant Agreement (Agreement) with CH2M HILL Engineers, Inc. (CH2M), in the amount not to exceed \$13,600,000 for Fiscal Year 2018 Program Management Services, and extend the Agreement term by one year, through October 31, 2018, to support implementation of the City of Fresno's Metropolitan Water Resources Management Plan and the City of Fresno's Recycled Water Master Plan.

EXECUTIVE SUMMARY

On October 31, 2013, the City Council approved a three-year agreement (with the option of two one-year extensions) with CH2M for professional Program Management Services. Under this agreement, CH2M has provided services to support implementation of the City of Fresno's Metropolitan Water Resources Management Plan and the City of Fresno's Recycled Water Master Plan, including development of a Capital Project Management Delivery System and staff augmentation for program and project delivery. The Agreement requires that compensation for Program Management Services be negotiated annually based on forecasted workload and support needs. Staff has considered workload and staffing needs to support implementation of the Department of Public Utilities' capital programs, and has completed negotiation with CH2M for Fiscal Year 2018 services with the negotiated not-to exceed value of Amendment No. 6 established at \$13,600,000. This amendment requires extension of the professional consultant agreement by one year, using one of the two optional one-year extensions.

BACKGROUND

On November 29, 2012, the Fresno City Council adopted the City's 2010 Urban Water Management Plan (2010 Plan) in accordance with the Urban Water Management Planning Act (UMP Act) of 1983. The City's 2010 Plan describes current and future water uses, sources of water supply, water supply reliability, and existing and planned conservation measures, and was prepared specifically to present the City's water resources management strategy to provide a safe, reliable, and sustainable supply of water for the community; enhance water conservation; continue intentional groundwater recharge; and repair and replace aging pipelines and wells. To support the water resources management strategy presented in the 2010 Plan, the City prepared the Recycled Water Master Plan that was completed in December 2010 and the Metropolitan Water Resources Management Plan that was completed in 2013. The overall objective of these Plans is to provide sustainable and reliable water supplies to meet the demands of existing and future customers consistent with the City's General Plan. The overall goals of these Plans are to:

- Maximize use of available surface water supplies for direct treatment and use, and intentional groundwater recharge;
- Replenish groundwater basin storage when surplus surface water supplies are available;
- Balance the City's management of groundwater (extraction and intentional recharge) by 2025;
- Continue to implement and expand demand management strategies and water conservation measures to reduce potable water demands; and
- Incorporate tertiary-treated recycled water into the City's water supply portfolio to accommodate non-potable water demands and reduce demands on the potable water system.

To implement certain facilities defined in the Metropolitan Water Resources Management Plan, the Department of Public Utilities developed a \$429 million water capital plan to be implemented throughout the City's service area. Implementation of this water capital plan and a 25,000 acre-foot per year Recycled Water Program, as defined in the Recycled Water Master Plan, requires the investment of approximately \$570 million in capital improvements through FY 2021.

Understanding that the Department of Public Utilities did not have sufficient project management processes and systems, or technical staff, to successfully deliver the planned capital improvement

projects, the Department of Public Utilities solicited professional consulting services for program management, including staff augmentation for program and project delivery, and development of a Capital Project Management Delivery System to assure delivery of high quality capital projects on schedule and on budget for the community.

On October 31, 2013, the City Council approved a three-year professional consultant agreement (with the option of two one-year extensions) with CH2M to provide professional Program Management Services to support implementation of the Metropolitan Water Resources Management Plan, the five-year \$429 million water capital plan and the Recycled Water Master Plan, and to develop a Capital Project Management Delivery System. The City Council appropriated \$6,993,000 for services during the first-fiscal year (FY 2014) within the agreement with CH2M for professional Program Management Services, to support the Water Division's implementation of the Metropolitan Water Resources Management Plan and develop a Capital Project Management Delivery System. The term date for the first fiscal year appropriation was June 30, 2014, and Amendment No. 1 was executed with CH2M to extend the term date of the first fiscal year appropriation to July 31, 2014.

On August 5, 2014, the City Council appropriated \$6,900,000 for services during the second fiscal year (FY 2015) within the agreement with CH2M for professional Program Management Services, to support the Water Division's implementation of the Metropolitan Water Resources Management Plan and develop a Capital Project Management Delivery System. The term date for the second fiscal year appropriation was June 30, 2015.

On June 18, 2015, the City Council appropriated \$7,100,000 for services during the third fiscal year (FY 2016) within the agreement with CH2M for professional Program Management Services, to support the Water Division's implementation of the Metropolitan Water Resources Management Plan and develop a Capital Project Management Delivery System. The term date for the third fiscal year appropriation was June 30, 2016.

On September 24, 2015, the City Council appropriated \$1,140,000 additional funding for services during the third fiscal year (FY 2016) of the agreement with CH2M for professional Program Management Services, to support the Wastewater Management Division's implementation of the City of Fresno's Recycled Water Master Plan. The term date for the third fiscal year additional appropriation was June 30, 2016.

On May 19, 2016, the City Council appropriated \$11,950,000 for services during the fourth fiscal year (FY 2017) within the agreement with CH2M for professional Program Management Services, to support the Water Division's implementation of the Metropolitan Water Resources Management Plan, develop a Capital Project Management Delivery System, and support the Wastewater Division's implementation of the City of Fresno's Recycled Water Master Plan. The term date for the fourth fiscal year appropriation is June 30, 2017.

Program Management Services

FY 2014 (Oct 2013 - Jun 2014): CH2M staff worked with City staff to plan, design, build and test new project management processes and systems to deliver both small and large water capital projects. In addition, CH2M reviewed and validated the City's recommended capital projects, identified opportunities for capital cost savings, and provided staff for program delivery, project management and technical support for capital projects. Year 1 activities are complete, and CH2M successfully delivered the essential building blocks of the Capital Project Management Delivery System, which

has been initially developed in such a manner that it can independently be used by Water Division staff to deliver the Water Division's major capital projects, and can be readily applied to capital projects in the Wastewater Management Division as well as other Departments of the City that deliver capital projects. The most critical project management processes and systems planned, designed, built and/or tested during Year 1 included, but are were not limited to, project management and administration; project engineering and design management; project cost estimating; project scheduling (planning, permitting, and design); project financial accounting, monitoring, and reporting; project document control; project construction management and administration; permitting and land acquisition management; and public outreach and education. City Council appropriated \$6,993,000 for Fiscal Year 2014 Program Management Services. Actual expenditures during Fiscal Year 2014 (8 months) averaged approximately \$754,000 per month.

FY 2015 (Jul 2014 - Jun 2015): CH2M staff worked with City staff to apply the new Capital Project Management Delivery System for specific projects. For FY 2015, there were approximately 80 active capital projects managed in the Water Division. CH2M continued to enhance project management processes and systems supported the rate planning and approval process, identified additional opportunities for capital cost savings, and provided staff for program delivery, project management and technical support for capital projects. The program management focuses for CH2M staff and City staff were in the areas of project management and administration; engineering, planning and design; permitting and land acquisition; program and project controls, including project scheduling, financial accounting, monitoring and reporting; and community relations and public education. City Council appropriated \$6,900,000 for Fiscal Year 2015 Program Management Services. Actual expenditures during Fiscal Year 2015, including carryover funding from Fiscal Year 2014, averaged approximately \$635,000 per month.

FY 2016 (Jul 2015 - Jun 2016): CH2M staff worked with City staff to continue to implement the Capital Project Management Delivery System for specific projects. For FY 2016, there were approximately 80 active capital projects being managed in the Water Division and 5 applicable active capital projects being managed in the Wastewater Division. CH2M continued to enhance project management processes and systems and provided staff for program delivery, project management, construction management and technical support for capital projects. During FY2016, certain major projects began construction. Therefore, in addition to maintaining program management focus as for the prior fiscal year, increased focus was placed on readiness for construction of major projects, especially in the areas of construction management and administration, construction cost estimating, construction scheduling and construction document management. Four large Water Division capital projects and three large Wastewater Division capital projects were bid for construction in FY 2016, including the Southeast Surface Water Treatment Facility (~\$186 million), the Friant-Kern Raw Water Pipeline (\$21 million), the Kings River Pipeline (\$57 million), one segment of Finished Water Transmission Main (portion of ~\$76 million), and three segments of Recycled Water Transmission Main (portion of ~\$60 million). One other major capital project, one segment of Finished Water Transmission Main (portion of ~\$76 million) progressed through final design. City Council appropriated \$8,240,000 for Fiscal Year 2016 Program Management Services. By the end of Fiscal Year 2016, actual expenditures average approximately \$660,000 per month.

FY 2017 (Jul 2016 - Jun 2017): CH2M staff worked with City staff to continue to implement the Capital Project Management Delivery System for specific projects. For FY 2017, there are approximately 65 active capital projects being managed in the Water Division and 3 applicable active capital projects being managed in the Wastewater Division. CH2M continued to enhance project management processes and systems, provided staff for program delivery, project management,

construction management and technical support for capital projects, and initiated transition project management processes and systems to City staff. As additional major projects began construction, increased focus was placed on construction management and administration for ongoing and new construction contracts. In FY 2017, five large Water Division construction contracts and three large Wastewater Division construction contracts continued or initiated construction, including the Southeast Surface Water Treatment Facility (~\$186 million), the Friant-Kern Raw Water Pipeline (\$21 million), the Kings River Pipeline (\$57 million), two segments of Finished Water Transmission Main (portion of ~\$76 million), and three segments of Recycled Water Transmission Main (portion of ~\$60 million). Additionally, three other contracts progressed through final design, including two segments of Finished Water Transmission Main (portion of ~\$76 million) and one segment of Recycled Water Transmission Main (portion of ~\$50 million). City Council appropriated \$11,950,000 for Fiscal Year 2017 Program Management Services. For service during FY 2017, actual expenditures are projected to average approximately \$995,800 per month.

FY 2018 (Jul 2017 - Jun 2018): CH2M staff will work with City staff to continue to implement the Capital Project Management Delivery System for specific projects. CH2M will provide staff for program delivery, project management, construction management and technical support for capital projects and will continue transition of project management processes and systems to City staff. As Fiscal Year 2018 will be the most significant year of construction for the Recharge Fresno Program, maintained emphasis will be placed on applying program management skills in the areas of construction management and administration, construction cost estimating; construction scheduling; and construction document management. As currently scheduled, four additional large construction contracts will be bid for construction in FY 2018, including one segments of Finished Water Transmission Main (portion of \$76 million), two segment of Recycled Water Transmission Main (portion of \$60 million) and the a Recycled Water Pump Station (portion of ~\$60 million). City staff has negotiated a fee of \$13,600,000 for Fiscal Year 2018 Program Management Services, including ongoing construction management services for 10 large construction contracts. The Sixth Amendment has been “approved to form” by the City Attorney’s Office, and is ready for Council consideration. This Amendment requires extension of the three-year professional consultant agreement by one year, using one of the two optional one-year extensions.

FY 2019: City staff will work with CH2M to develop a workload forecast for Program Management Services for FY 2019, and submit that to City Council for consideration in May 2018 with a recommendation to extend the term of the professional consultant agreement to support necessary additional program management services.

ENVIRONMENTAL FINDINGS

Approval of the consultant service agreement amendment is not a “project” within the meaning of Public Resources Code Section 21803 (CEQA Guidelines § 15378) because the organizational and administrative activities as identified in the consultant agreement will not result in direct or indirect physical changes in the environment.

LOCAL PREFERENCE

Local preference was not implemented because this action pertains to an amendment of an existing service contract.

FISCAL IMPACT

The amendment will not have any impact to the General Fund. Fiscal Year 2018 funding for Program Management Services is subject to Council adoption of the Fiscal Year 2018 budget. The proposed fee not to exceed \$13,600,000 for Fiscal Year 2018 Program Management Services is divided between the Water Division (\$12,090,000) and the Wastewater Management Division (\$1,510,000). Funds for Water Division projects covered under this Amendment are included in Water Division's proposed Fiscal Year 2018 Capital Improvement Program budget within the Water Enterprise Fund (40101) and various State Water Resources Control Board (SWRCB) Safe Drinking Water State Revolving Fund Low Interest Loan Funds (40161, 40162, 40184, 40188). Program Management Services were included in the water rate model used to create the five-year utility rate plan and subsequently adopted by City Council on February 26, 2015. Funds for Wastewater Management Division projects covered under this Amendment are included in the proposed Fiscal Year 2018 Capital Improvement Program budget within the SWRCB Clean Water State Revolving Fund Low Interest Loan Fund (40528).

Attachments:

Sixth Amendment to Agreement

Exhibit A - Scope of Services (original agreement)

Summary Report of Program Management Activities for FY 2017

List of capital projects to be delivered with Capital Project Management Delivery System