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DATE: May 6, 2021  
TO: Rose Lawhorne, Chief Executive Officer  
Bartlett Regional Hospital  
FROM: Rorie Watt, City Manager  
SUBJECT: BRH Behavioral Health Facility

CBJ leadership has discussed how to best proceed with BRH's desire to add a floor to the new Behavioral Health Facility whose construction bid was recently awarded to Dawson Construction. Each approach has pro's and con's and balance the approval process with the understanding of construction cost, project schedule and details of the changed facility.

First, a little bit of procurement terminology. As everyone is aware, the CBJ Charter requires award of construction contracts to the lowest bidder. Subsequent to award, *Change Orders* are often made to change the scope of the bid work. Infrequently, *Supplemental Agreements* are made to add work that is outside the scope of the bid work. In this case, adding an additional floor would require a *Supplemental Agreement*; this action requires Assembly approval.

There are three potential paths as follows:

1. Execution of a series of incremental change orders and supplemental agreements to the construction contract. It is likely that two change orders and two supplemental agreements would be required to incorporate the additional floor into the construction contract. The first steps would be change orders for modifications to site work and concrete foundations. These could be executed without Assembly approval and keep the Contractor moving forward with the initial work. The second step would be a supplemental agreement for the structural changes associated with the additional floor. The third step would be a supplemental agreement for the rest of the changes (architectural, mechanical, electrical, etc.) associated with the additional floor. The pros of this option are that it keeps the Contractor moving forward without delay and allows procurement of materials for the structure to occur as soon as practical. The con of this approach is that the total cost of the additional floor is not known at the start of construction. This approach also allows BRH to be more involved in details of the changes to the project for a longer period of time.
2. Execute a single supplemental agreement to the construction contract. This process would include the same initial change orders to keep the project moving forward but a single supplemental agreement for all the additional costs would be executed once **ALL** the cost associated with the redesigned facility were defined by the Contractor. The pro of this approach is that BRH would know the total cost of the additional floor prior to executing any of the work. The cons of this approach is that it would likely lead to schedule delays and, since Contractor would not place any material orders until the price was agreed upon, would likely lead to increase in initial project cost even if the additional floor was not added.

3. Execute a single supplemental agreement to the construction contract in a similar manner to Option 2 above but charge Dawson Construction with ***design and construction*** of the alterations to the project. The pros of this approach is that BRH would know the total cost of the additional floor prior to executing any of the work and Dawson may be able to streamline the procurement/redesign schedule resulting in less delays. The cons of this approach is that Dawson is not a design firm so would likely contract with our design team to complete the design, thus adding an additional mark-up to the redesign cost, and it may not lead to any schedule benefit. A potential 3B option would be to agree to a guaranteed maximum price for the cost associated with design and construction of an additional floor and have Dawson bill on a T&M basis. This would allow BRH to have some assurance of overall cost prior to Dawson fully completing the design and pricing and may help avoid delays. In these options, BRH would have less certainty about project details and scheduling, more certainty (early) about cost.

There are, of course, subtle variants on these approaches.

**Recommendation:**

Our recommendation is to proceed with the approach detailed in Option 1. It appears to best balance the needs of construction schedule, cost and budget. I make this recommendation because I believe that the details of the facility are very high on BRH's priorities.