



Engineering & Public Works Department

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DATE: September 13, 2017

TO: Mary Becker, Chair
Public Works and Facilities Committee

FROM: John Bohan, Chief CIP Engineer

SUBJECT: West Douglas Road Extension Supplemental \$500k Agreement

CBJ received exceptional bids for the construction of the West Douglas Road construction project about a year ago. The low bidder, ENCO, was \$500k below the engineer's estimate of \$2.0 million. The project constructed a 2.3 mile pioneer road from the end of North Douglas Highway around the back side of Douglas Island toward Middle Creek. The work is nearly complete on the original project and approximately \$750k remains.

This project is funded by a \$3 million Legislative Grant through the Department of Commerce, Community and Economic Development (DCCED) that is specific to this project only, extension of the West Douglas pioneer road. Unexpended funds are required surrendered back to the DCCED, they cannot be used for another purpose. These funds are set to expire in June of 2018.

The requested Supplemental Agreement with ENCO for \$600,000 will extend the pioneer road along the back side of Douglas Island another 1.1 miles to Middle Creek. This will leave approximately \$130k in reserve for inspection costs and contingency (unforeseen construction issues) to complete the project.

Supplemental Agreement Policy requires the Assembly approval on amounts greater than \$500,000 or greater than 25% of the original contract value. The Supplemental Agreement Policy and Public Interest finding are attached.

Recommendation

Staff requests the above \$600,000 Supplemental Agreement request and Public Interest Finding for West Douglas Road Extension be forwarded to the Full Assembly for approval.

Supplemental Agreement Public Interest Finding - West Douglas Pioneer Road Project, Contract BE17-039 - Supplemental Agreement for 1.1 miles of additional pioneer road construction.

Background:

The first phase of construction of the West Douglas Pioneer road is nearly complete. The initial 2.3 miles of the the West Douglas Pioneer Road (original contract) was selected and permitted based on the engineer's estimated construction cost. The project was bid in September 2016 with ENCO as the successful low bidder, approximately \$500k below the engineer's estimate.

This project is fully funded by a \$3 million Legislative Grant through the Department of Commerce, Community and Economic Development (DCCED) that is specific to this project only, the extension of the West Douglas pioneer road. Unexpended funds are required surrendered back to the DCCED, they cannot be used for another purpose. These funds are set to expire in June of 2018.

With the 2.3 mile road almost complete, it was deemed that the available \$730k of remaining funds were sufficient pay for additional road construction to reach the next major control point along the West Douglas Road route, Middle Creek, an additional 1.1 miles of pioneer road. The Wetlands permit from the US Army CORPS of Engineer has been received, the Alaska Department of Fish and Game stream crossing permits have verbally been approved and are awaiting formal documentation and the Planning Commission has provided concurrence with the extension of the pioneer road. The extension of the pioneer road is 1.1 miles and will cost \$600,000.

The benefits of awarding additional pioneer road construction work to the existing construction contract with ENCO through the Supplemental Agreement mechanism are as follows:

Public Interest Finding Considerations:

Bid preparation Costs to bid the work separately: There will be no bid preparation costs if the Supplemental Agreement is authorized to proceed. The contractor will proceed with the work upon execution of the Supplemental Agreement. The estimated costs to prepare a new set of bid documents and bid the work as a separate contract are estimated between \$25,000-\$40,000.

Cost and Schedule Benefits from bidding the work separately: NONE.

- **Cost:** The original bids were low and competitive. Preparing a competitive bid for the work will likely result in similar bid prices or higher given the recent increase in fuel prices and potential price increase and availability uncertainty for materials (culvert pipe) due to Hurricane Harvey and Irma.
- **Schedule:** The time required to bid and issue a new contract for the work is as follows would be 9 to 12 weeks: 4 weeks to prepare the documents for bidding, 3 weeks for the bid advertisement and 2-3 weeks to issue notice to proceed, moving the construction start date into mid-December (from late October through the Supplemental Agreement), which would realistically push the start of work into late February, early March 2018 due to short daylight hours and adverse winter weather conditions. This delay would push the construction completion into mid-summer (July, August) which exceeds the DCCED Grant completion deadline of June. An earlier construction completion date could be mandated as part of the new bid documents, however, adding this requirement would increase bid prices to compensate for reduced production of working during the low light winter months, and the mandated completion date would not likely be met. Authorization of the Supplemental Agreement would allow an end of May, 2018 completion date which meets the DCCED deadline.

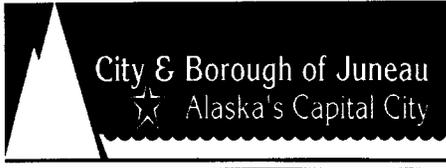
Similarity of Work: The work is identical to the work in the original contract. The additional work is to extend the pioneer road another 1.1 miles to Middle Creek on the back side of Douglas Island.

Mobilization and Proximity: ENCO, the contractor for the original contract is currently mobilized and occupying the project site while they are completing their final work. Given the timeline necessary if the extension project were to be bid, ENCO would be demobilized from the site and would not have a bidding advantage. If approved, ENCO would not have to demobilize the remaining equipment; it could remain on the project and be utilized to continue the work, saving partial mobilization costs.

Schedule Impacts: The additional work included in this Supplemental Agreement has already received the wetlands permits required by the US Army Corps of Engineers. The fish stream crossing permits have been verbally approved by ADF&G and are expected to be received before the October 16th Assembly meeting where this Supplemental Agreement request would be heard. The work could begin shortly after that date. If this additional work were required to be bid, the successful bidder could not be able to start until a formal notice to proceed was given, which is likely mid-December, at which time, short days and winter weather will delay their start into late February or early March when daylight hours are longer and winter weather is likely to start breaking. The delay in the start of the project would delay the completion date to mid-summer 2018 which is after the DCCED Grant expiration date in June 2018.

Site Constraints: ENCO is already familiar with the existing site conditions, construction standards and expectations of constructing the pioneer road and fish passage culverts. ENCO has already developed a routine and level of trust with the CBJ Project Engineer and Inspector that is effective and minimizes the time required for meeting expectations, inspection, questions and answers that would significantly increase administration and inspection costs if not established. Bringing in a potentially new contractor by bidding the project would require this level of trust to be re-established, costing additional man hours explaining expectations, answering questions, and gaining the trust of the new contractor to the level already achieved with ENCO.

Inspection and Administrative Efficiencies: Wilson Engineering, the Construction Administration and Inspection (CA&I) consultant currently engaged for the original contract would continue to work on the work proposed for the Supplemental Agreement. A good line of communication, working relationship and level of trust has already established between CBJ, ENCO and Wilson that reduces the amount of inspection and staff time to ensure the work is being completed to the expected construction standards. Bringing a new contractor into the project would require a significant amount of additional staff time (as was already completed during the original contract between CBJ, ENCO and Wilson) to reach the same comfort level with the adherence to the expected construction standards and procedures needed to successfully complete the project.



ENGINEERING DEPARTMENT
155 S. Seward Street
Juneau, Alaska 99801

Policy and Procedures Manual

Policy #: C - 2	Date:	Subject: Construction Contract Supplemental Agreement Approval Policy
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Definitions:

Change Order – A written amendment to the contract covering a modification that is within the scope of the original contract.

Supplemental Agreement – A written amendment to the contract covering a modification to the contract that is outside of the scope of the original contract. Supplemental agreements are typically for owner requested changes that are considered in the public's best interests.

Public Interest Finding – A written narrative authored by the Engineering Department and approved by authority as identified in this policy that clearly addresses the following benefits to be derived from issuing a supplemental agreement. The narrative shall recommend an action based on the relative benefits of these issues.

- Bid Preparation Costs to bid the work separately.
- Cost and Schedule benefits anticipated from bidding the work separately.
- Similarity of Work – are the trades, materials, and equipment needed to complete the work similar?
- Mobilization costs and Proximity – does one contractor's proximity give them an unfair advantage for which the bid price may exceed a negotiated price?
- Schedule Impacts – comparative schedule risks of bidding the work to awarding the work without schedule delays. Identify any weather, permit conditions, or environmental impacts. Identify any increased risks from a compressed construction schedule if bid.
- Site Constraints – will award of additional work to another contractor result in potential schedule and cost delay claims from either contractor that would be in excess of those same claims if awarded to the original

- contractor.
- Inspection and Administrative Efficiencies – discuss relative efficiencies of office and field personnel if authorizing one contract or two.

Background:

Owner requests for work outside of the scope of the original contract arise from time to time. Typically, these requests result from bids lower than expected, newly identified needs, maintenance needs, public safety concerns, proximity, public desire, use of opportunity, and documented savings in mobilization and materials.

The intent of this policy is to provide a mechanism to complete such work, if it is determined that is in the public’s best interests.

Policy:

The project manager is responsible for project budget accounting. Engineering Department personnel may authorize or recommend supplemental agreements to the following amounts:

Chief Architect/Engineer	Items up to \$10,000 or up to 5% of the original contract amount, whichever is less.
City Manager	Items larger than Chief Architect/Engineer level and up to \$500,000 or up to 25% of the original contract amount, whichever is greater.
CBJ Assembly	Supplemental agreement items over the City Manager level.

Implementation:

The Chief Architect/Engineer may authorize, or may authorize project inspectors, to have the contractor proceed with supplemental agreement work to the amounts specified above. Project inspectors or Project Managers will conclude the scope, schedule, and estimated amount of authorized work in writing on the attached electronic form as soon as possible and acquire signatures from:

- The Contractor’s Representative;
- Project Manager
- Chief Architect/Engineer
- Chief Contracts Engineer.

The City Manager and Engineering Director will authorize all supplemental agreement work as specified above. The Project Manager is responsible for concluding the supplemental agreement scope, schedule, and budget amount in writing and acquiring signatures from:

The Contractor's Representative
The Chief Engineer/Architect
The Contracts Engineer
Client Department Representative
Engineering Director
City Manager

as soon as possible.

The Assembly will approve all supplemental agreements over those specified above. The Project Manager is responsible for concluding the scope, schedule, and estimated budget of the work in a memo for inclusion in consent agenda of the CBJ Assembly's packet.

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