



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mel Damewood, Engineering Manager
DATE: April 26, 2013
SUBJECT: Willamette 1325 Reservoir Contract Amendment
OBJECTIVE: Obtain Board Approval of Contract Amendment with Stellar J Corporation

Issue

Difficulties encountered during construction of the Willamette 1325 Reservoir have caused the Contractor change order amount to exceed the threshold allowed by Board Policy EL-1. To complete the project, a request is being made to amend the contract to add an additional \$233,250.

Background

The Willamette 1325 Reservoir Replacement project includes the construction of a new 350,000 gallon reservoir to replace an existing 50,000 gallon reservoir which has insufficient capacity to provide fire and emergency storage for the Willamette 1325 Service Area.

This project was first identified in the 2004 Water System Master Plan and placed on the Water Capital Improvement Project list. Design of the project was ultimately completed in 2011 and construction began in April 2012.

Upon advertisement, six bids were received for the project ranging from a low of \$835,880 to a high of \$1,114,667. Stellar J Corporation (Stellar J) was determined to be the lowest responsive bidder and was given Notice to Proceed on April 4, 2012. The Engineer's Estimate for the project was \$1,150,000.

The project was challenging from the beginning due to the rock excavation required at the site and limited site access. These issues have resulted in numerous significant claims from Stellar J, the majority of which were denied by EWEB due to disagreements over quantities and actual site conditions. There were three change orders for additional required work on the reservoir access road totaling \$36,790 that were approved by staff.

Discussion

After EWEB denied significant claims from Stellar J, they appealed the decision and requested mediation per EWEB's standard general contract conditions. The mediation for all unresolved claims on the project took place in Portland on April 11th, 2013.

Discussions during mediation resulted in a tentative settlement agreement signed by both EWEB and Stellar J. The agreement stated that Stellar J would substantially complete the work by August 1st, 2013 and all claims to date on the project would be considered resolved for a change order amount of \$233,250.

The final language in the settlement agreement, however, has yet to be agreed upon. Any payments made to Stellar J for the disputed claims would require prior signature approval of the final agreement by both parties.

With this change order amount, the contract would still be less than the Engineer's Estimate and within the range of the original bidders. It should be noted that change orders almost always occur on construction projects due to unforeseen conditions or other issues. An overage of this amount on a project completed by a contractor for the Water Department is rare; typically change order amounts are less than 5%.

Recommendation/Requested Board Action

Water staff is recommending that the Board approve a contract amendment for Stellar J Corporation for \$233,250, pending signature approval of the final settlement agreement and approval by the Contractor's surety.

If there are any questions or if more information is needed, please contact Mel Damewood, Engineering Manager 541-685-7145 or mel.damewood@eweb.org.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract amendment for **Stellar J Corporation** to complete construction services for the Willamette 1325 Reservoir Replacement.

Board Meeting Date: April 16, 2013
Project Name/Contract#: Willamette 1325 Reservoir Replacement
Primary Contact: Mel Damewood Ext. 7145
Secondary Contact: Roger Gray Ext. 7196
Purchasing Contact: Guy Melton Ext. 7426

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$835,880
Additional \$ Previously Approved: \$36,790
Invoices over last approval: \$0
Percentage over last approval: 4%
Amount this Request: \$233,250
Resulting Cumulative Total: \$1,105,920

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Invitation to Bid No. 010-2012
If applicable, basis for exemption: N/A
Term of Agreement: April 4, 2012 – September 1, 2013
Option to Renew? No
Approval for purchases "as needed" for the life of the contract No

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

NARRATIVE:

The Board is being asked to approve a contract amendment with **Stellar J Corporation** to complete the construction of the Willamette 1325 Reservoir Replacement project.

The Willamette 1325 Reservoir Replacement project included the construction of a new 350,000 gallon reservoir to replace an existing 50,000 gallon reservoir which had insufficient capacity to provide fire and emergency storage for the Willamette 1325 Service Area.

The construction of this reservoir has been challenging due to the rock excavation required at the site, limited site access, and contractor's requests for change orders. These issues have resulted in additional unforeseen engineering and inspection time as well as contractor's requests for additional compensation. These change order requests have been evaluated and the parties have proposed a negotiated increase which is subject to board approval.

The amendment to the Stellar J contract will be for \$232,250 and extend the contract's completion schedule to September 1, 2013. Per Board Policy EL1, the amount of the contract amendment exceeds the threshold which requires Board Approval.

Budget Amendment #6 is associated with this contract amendment and adds an additional \$100,000 to the project budget.

ACTION REQUESTED:

Management requests Board approve the amendment to the contract with **Stellar J Corporation** to complete construction services for the **Willamette 1325 Reservoir Replacement**, pending signature approval of the final settlement agreement and approval by the Contractor's surety.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Assistant General Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____