

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 26, 2018

CAO File No. 0220-05531-0000

Council File No.

Council District:

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Department of Water and Power dated September 4, 2018

Subject: **CONTRACT NO. 47071 - THIRD AMENDMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND WEBCOR, OBAYASHI, LYLES, A JOINT VENTURE FOR THE HEADWORKS RESERVOIRS PROJECT**

RECOMMENDATION

That the Mayor:

1. Approve the proposed resolution authorizing the execution of a Third Amendment to Contract 47071 with Webcor, Obayashi, Lyles for the Headworks Reservoirs Project for the following purposes:
 - a. Extend the contractual term by three additional years from December 31, 2018 to December 31, 2021;
 - b. Release \$40 million for Phase Three of the Project; and
 - c. Increase the General Conditions Cost and Construction Manager at Risk Fee to 15 percent and 10 percent.
2. Return the proposed resolution to the Department for further processing, including City Council consideration.

SUMMARY

In 2011, the Board of Water and Power Commissioners approved Resolution No. 012-123 authorizing the Los Angeles Department of Water and Power (LADWP) to spend up to \$230 million (on a task assignment basis) for pre-construction and construction services for the Headworks Reservoirs Project, which is a component of the Silver Lake Reservoir Complex Storage Replacement Project. The Agreement was awarded to contractor, Webcor, Obayashi, Lyles (WOL), a Joint Venture, for a total term of seven years, from December 19, 2011 to December 31, 2018. The LADWP requests authority to execute a Third Amendment for an additional three years through

December 31, 2021, as the current contract expires on December 31, 2018. In addition, the release of \$40 million in budgeted funding is requested for Phase Three of the Project and increases for the General Conditions (GC) Cost and Construction Manager at Risk (CMAR) Fee are proposed to fifteen percent and ten percent. Per the City Charter Section 373, City Council approval is required for contracts which exceed a total of five years.

Contract Extension

Prior to the Third Amendment, the First and Second Amendments were executed under the Board's existing authority which does not require the approval of the City Council. The First Amendment increased the cost and contingency amount of Phase One, without increases to the overall contract amount. The Second Amendment increased the contract by \$123 million, for an amount not to exceed \$353 million. The Third Amendment is necessary to continue the work with the current contractor to mitigate any disruption in services.

Release of Funds

The release of \$40 million is requested for Phase Three for pre-construction and construction services. Funding is budgeted and available in 2018-19 for this purpose. The project is divided into four phases, which necessitates the LADWP to seek approval from the Board for each phase, subject to funding availability. It is our understanding that Phase One has been completed. Phase Two is in progress and estimated to be completed by April 2021, Phase Three is estimated to be completed by December 2021, and Phase Four scope of work is still in development. Please refer to Attachment One for scope of work and cost information.

Cost of Construction Proposed Increases

In May 2011, the City Council authorized the use of a Construction Manager at Risk (CMAR) alternative project delivery method for this Project with the approval of Ordinance No. 181639. In the original agreement, the rates for General Conditions (GC) Cost was approved at 12.50 percent and for CMAR Construction Services at four percent. The Joint Venture, WOL is compensated for the actual cost of the work, plus a GC cost percentage and a CMAR percentage which includes overhead and profit. The general conditions costs include, but are not limited to the cost of bonding, insurance, construction management, and quality control. The LADWP is requesting to increase rates because WOL will be committing resources beyond the original agreement due to the extension of the contract.

Proposed Increases	From	To
General Conditions Cost	12.50 %	15%
Construction Manager at Risk	4%	10%

In addition, per LADWP, industry wide these type of rates have overall increased whereas WOL's have remain flat over the last seven years. The LADWP indicates the increases are fair, reasonable, and reflective of current market conditions and cost increases since 2011.

Project Background

The LADWP must replace and cover open air reservoirs to ensure compliance, improve and safeguard the quality of drinking water as a result of changes in State and Federal Water quality regulations relative to Stage 2 Disinfectants and Disinfection Byproducts Rule and the Long Term 2 Enhanced Surface Water Treatment Rule. The Silver Lake and Ivanhoe open reservoirs will be replaced with the new underground Headworks Reservoir Complex with two underground reservoirs, East and West. The project also includes the construction of a 1.8 MW hydroelectric power plant and regulating station that will begin construction in 2019, and an ecosystem restoration area for environmental habitats and recreational facilities. The overall project has experienced delays in the timeline as a result of design modifications, and unanticipated improvements needed. The Project is located in the Griffith Park area.

FISCAL IMPACT STATEMENT

There is no General Fund impact. The total estimated cost of the project is \$353 million and is funded by the Water Revenue Fund. Funding for Phase Three is available and additional funding in subsequent years will be budgeted accordingly. The proposed action complies with the City Financial Policies.

RHL:IR:10190040

Attachments

PHASE	PROJECT	DESCRIPTION	COMPLETION DATE	ORIGINAL ESTIMATE (Millions)	REVISED ESTIMATE/ACTUAL COST (Millions)
One	Headworks Reservoir East	Construction of 42 million gallon buried concrete reservoir for potable water.	Completed	80.0	142.0
	RSC Unit 1A East	Installation of approx 3,600 feet of 84 and 96 inch pipe and appurtenances connecting RSC Unit 1A West to RSC IB	Completed	30.0	
Two	Headworks Reservoir West	Construction of 62 million gallon buried concrete reservoir for potable water.	Estimated date April 2021	68.0	141.0
	RSC Unit 1A West Part 1	Installation of approx 2,000 feet of 78 inch pipe and appurtenances connecting RSC Unit 1A to RSC Unit 1A West Part 2.	Estimated date April 2021	10.0	
Three	Hydro electric Power Plat/Flow Control Station	Construction of a 2 MW hydroelectric power plant and a flow control station to control the flow from the North Hollywood Pump Station into the Headworks Reservoirs.	Estimated date Dec 2021	25.0	40.0
	RSC Unit 1A Part 2	Installation of approx 2,000 feet of 78 inch pipe and appurtenances connecting Unit 1A West Part 2 to the RSC Unit 7.	Estimated date Dec 2021	10.0	
Four	Headworks Reservoir Restoration	Development of riparian wetlands, landscaping, and open spaces with equestrian, cyclist, and pedestrian access.	Pending on-going discussion. TBD	7.0	30.0
Total \$				230.0	353.0