



Date: May 1, 2018

MEMORANDUM

To: David Corliss, Town Manager

From: Mark Marlowe, Director of Castle Rock Water

Title: **Plum Creek Water Reclamation Authority Wastewater Treatment Plant 3.0 MGD Expansion Preconstruction Escrow Agreement [4255 North U.S. Highway 85, Castle Rock]**

Executive Summary

The purpose of this memorandum is to request Town Manager approval of a Preconstruction Escrow Agreement (**Attachment A**) with Plum Creek Water Reclamation Authority (PCWRA) for funding preconstruction services provided by Moltz Construction, Inc. (Moltz) in the amount of \$70,363 for the wastewater treatment plant expansion. The memorandum also provides a brief update on project progress. The Preconstruction Escrow Agreement obligates the Town to deposit funds authorized for the project into an escrow account to be maintained by PCWRA. Funds held in the escrow account will be released for payment of Moltz's preconstruction service invoices after review and approval in writing by both the Town, PCWRA representatives, and representatives of the other participating members of PCWRA.

Design of the plant expansion began in August 2017 and thirty percent design documents were completed in early 2018. Through a publicly advertised Request for Qualifications (RFQ) and Request for Proposal (RFP) process, Moltz has been selected by PCWRA and Town staff as the top-ranked contractor to provide Construction Management/General Contractor (CM/GC) services for the proposed expansion. Preconstruction services include construction cost estimating, constructability reviews, construction scheduling, work sequence planning, value analysis and review of alternate systems, permit assistance, and procurement planning for long-lead items. Moltz's not-to-exceed preconstruction service fee is \$70,363 (**Attachment B**). Moltz will assist the design team in development of 60, 90, and 100-percent construction documents.

As presented to Town Council last August, the construction contract will be in the form of a Guaranteed Maximum Price Construction Management (GMPCM) contract. Moltz's current budgetary construction estimate for the project is \$29.6 million. The Town and PCWRA are drafting an agreement for expansion of the treatment facility. Design and

construction costs related to expansion of the plant (including Moltz's preconstruction services) will be equitably shared by PCWRA members benefiting from the plant expansion. The expansion agreement will outline cost-share responsibilities of each member.

History of Past Town Council, Boards & Commissions, or Other Discussions

On June 20, 2017, Town Council was briefed on the PCWRA 2017 Capacity Study Update and the need for expansion of the treatment plant.

On August 23, 2017, the Castle Rock Water Commission unanimously voted to recommend Town Council approval of a Resolution approving a Professional Services Agreement between PCWRA and Burns and McDonnell Engineering Co., Inc. (Burns and McDonnell), for the design of the PCWRA plant expansion.

On September 5, 2017, Town Council voted to approve and fund a Professional Services Agreement between PCWRA and Burns and McDonnell for the Design of the PCWRA Plant Expansion in the amount of \$1,317,414.

On March 26, 2018, the PCWRA Board approved entering into contract negotiations with Moltz for preconstruction services for the three million gallons per day (MGD) capacity expansion, in the amount of \$70,363, contingent upon Town of Castle Rock funding approval.

Discussion

Castle Rock Water has been planning for a capacity expansion of the PCWRA wastewater treatment facility since 2015. A 2017 capacity update study revealed that an expansion of three MGD of average day capacity may be needed as early as 2020, with construction beginning in late 2018 to meet Colorado Department of Public Health and Environment (CDPHE) regulations. Original conceptual level estimates for the expansion were in excess of \$47 million.

Design of the plant expansion began in August 2017 with award of the design contract to Burns and McDonnell in the amount of \$1,317,414. Burns and McDonnell staff completed thirty percent design documents in early 2018. The thirty percent design includes improvements that will increase the rated hydraulic capacity of the plant from 6.44 MGD to 9.44 MGD. The design encompasses significant improvements to the plant headworks, tertiary filtration, UV disinfection, and solids handling systems. Burns and McDonnell's thirty percent design preliminary conceptual cost opinion was approximately \$34 million.

In order to meet the accelerated schedule while delivering a quality-constructed project that maximizes value, staff recommended project delivery utilizing Guaranteed Maximum Price Construction Management (GMPCM) contracting. The GMPCM method involves hiring a construction manager/general contractor (CM/GC) to perform contract administration and guarantee a maximum price for the complete project. The owner and

CM/GC agree on the price before the construction phase begins. Once construction starts, all work is awarded through a competitive subcontractor bidding process. The owner, CM/GC, and engineer work collaboratively to design a project that fits a given budget and adjustments to the project design and/or budget are made during the design phase to ensure a successful project that meets the owner's expectations regarding cost, quality and schedule. The CM/GC's expertise in construction, contracting, and estimating can influence decisions made by the design consultant to keep project costs to a minimum in a manner consistent with the owner's objectives for quality and functionality. With this end in mind, a contractor was selected through the process described below.

Advertisements for contractor qualifications were run in publications including the Daily Journal and Douglas County News Press the dates of January 11-18, 2018. Four contractors responded by submitting Statements of Qualifications (SOQs). The SOQs were reviewed and evaluated by a selection committee comprised of two members from Castle Rock Water and three members from PCWRA. The committee selected two contractors from which to request proposals. The selected contractors included:

- Moltz Construction, Inc.
- Reynolds Construction (Reynolds)

A Request for Proposal (RFP) was issued on February 12, 2018 to Moltz and Reynolds. Mandatory pre-proposal meetings were conducted at PCWRA on February 22 and March 6, with both contractors in attendance. Proposals were received from Moltz and Reynolds on March 20. Interviews with both firms were conducted on March 23. A selection committee comprised of two members from Castle Rock Water and three members from PCWRA, independently completed rankings for each firm based on their proposal and interview. Some of the criteria used in ranking the firms included:

- Project approach and relevant experience
- Staff and key personnel
- Project costs and bidding strategies
- Scheduling/logistics
- Business structure and financial stability
- Commitment to open book collaborative approach

Moltz was ranked as the top firm by all five selection committee members. Moltz specializes in construction of water and wastewater industry projects. They have completed numerous GMPCM water and wastewater facility projects throughout Colorado. Moltz has successfully completed multiple projects for Castle Rock Water, including the Plum Creek Water Purification Facility (PCWPF), the Chloramines Conversion Project, the PCWPF Membrane Expansion Project, and the Meadows Water Treatment Facility Valve Replacement Project. Moltz has also completed projects for PCWRA and has familiarity with the existing facility and general knowledge of onsite operations. Moltz's proposed construction schedule demonstrated knowledge of CDPHE permitting approvals that will significantly affect the overall project schedule.

Moltz also presented the lowest overall budgetary construction estimate in their proposal at approximately \$29.6 million. Reynolds budgetary construction estimate was \$34.7 million for comparison. It should be noted that \$29.6 million is only an initial budgetary construction estimate. PCWRA and Town staff are currently working with Moltz and the design team to refine this estimate into an Initial Guaranteed Maximum Price (IGMP). The IGMP will include the cost of general conditions, overhead and profit and the direct cost to do the work. The IGMP may increase somewhat from the proposed budgetary construction estimate. The IGMP amount will be finalized and agreed upon at the time of execution of the preconstruction and construction services contract. The scope of services authorized by the contract at this time will be only the preconstruction services with a not-to-exceed fee of \$70,363. However, terms and conditions for construction will be included in the contract as well. The agreed upon IGMP will serve as the budgetary target for the remainder of the design process.

As the design progresses and more details are made available to the contractor, the construction cost estimate will be refined. During this period, Moltz's staff will provide preconstruction services that include, but are not limited to: project management, budgeting, estimating, scheduling, constructability reviews, value analysis of systems and components, determination of sequencing the work, information and reporting systems, subcontractor bid strategies, and procurement planning throughout the construction document design phase. Moltz's proposed schedule for constructing the facility fits within the Town's and PCWRA's expectations and treatment capacity needs. Assuming construction starts in late 2018 (pending CDPHE permit approvals), the project could be substantially complete by fall 2020.

A Design Escrow Agreement executed between the Town and PCWRA in November 2017 previously established a Design Escrow Account to hold funds obligated for design of the plant expansion. The Town previously transferred \$1,317,414 to the escrow account for Burns and McDonnell's design contract with PCWRA. The Preconstruction Escrow Agreement attached will allow the transfer of funds in the amount of \$70,363 to a preconstruction escrow account. PCWRA will subsequently retain Moltz for the proposed preconstruction services.

Budget Impact

Funding for this project is included in the 2018 budget under PCWRA Capacity Expansion. Upon approval, \$70,363 will be transferred to the PCWRA Capacity Expansion Preconstruction Escrow Account.

| Project | Account Number | Current Balance | This Contract |
|--------------------------|-----------------------|------------------------|----------------------|
| PCWRA Capacity Expansion | 213-4575-445.78-79 | \$ 16,508,501 | \$ 70,363 |

Funding for the full construction contract amount (currently estimated at \$29.6M) will be needed at the time the contract is amended with the Final Guaranteed Maximum Price (currently anticipated in October 2018). Castle Rock Water and Finance staff are reviewing options to allow the Town to fully fund the project this year. PCWRA is

working with Castle Rock Water on an expansion agreement that will establish another escrow account for the construction funding. The agreement will outline the cost responsibilities of all PCWRA entities participating in the plant expansion, as well any repayment terms and conditions necessary.

Attachments

Attachment A: Draft Preconstruction Escrow Agreement

Attachment B: Draft Moltz Preconstruction Services Fee

PRECONSTRUCTION ESCROW AGREEMENT

THIS PRECONSTRUCTION ESCROW AGREEMENT is entered into with an effective date of _____, 2018, by and between Plum Creek Water Reclamation Authority ("PCWRA"), Castle Pines North Metropolitan District ("CP North"), and the Town of Castle Rock (the "Town"), collectively, the "Parties."

WITNESSETH:

WHEREAS, the Parties intend to enter into an agreement ("Expansion Agreement") to implement a construction project (the "Project") to expand PCWRA's wastewater treatment facilities in accordance with the provisions of Article VII, Section 4, of the PCWRA Establishing Agreement of December 14, 1989 ("Establishing Agreement"), and other provisions of the Establishing Agreement that govern plant expansions; and

WHEREAS, PCWRA intends to engage a general contractor (the "Contractor") to perform preconstruction services for the Project; and

WHEREAS, the Contractor will submit to PCWRA from time to time, but no more frequently than monthly, a payment application (the "Application") which will contain a description of the work completed since the last payment and the amount claimed due for such work; and

WHEREAS, the Town has agreed to deposit funds into an Escrow Account to be maintained by PCWRA in trust and without compensation to pay for the costs of the Project preconstruction services pending execution of the Expansion Agreement; and

WHEREAS, the funds to be held by PCWRA in trust shall be disbursed by PCWRA for payment of the preconstruction costs in accordance with procedures hereinafter set forth in this Preconstruction Escrow Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. The foregoing recitals are acknowledged to be true and correct, and are incorporated herein by reference.

2. Upon date hereof, the Town shall deposit with PCWRA the sum of Seventy Thousand Three Hundred Sixty Two Dollars and Sixty Cents (\$70,362.60) to be administered by PCWRA in accordance with this Preconstruction Escrow Agreement, but not to be construed as revenues of PCWRA. Such funds deposited with PCWRA will be held in a separate "Escrow Account" in the Colorado Local Government Liquid Asset Trust aka

ColoTrust. The funds on deposit in the Escrow Account shall bear interest to the extent available consistent with the disbursement requirements set forth herein. CP North acknowledges that the Town is covering its share of the Project preconstruction costs pending completion of the Expansion Agreement. CP North shall reimburse Town for its share of the preconstruction costs in accordance with the Expansion Agreement. Should CP North elect not to participate in the Expansion Agreement, CPNMD agrees to reimburse Town its share of the preconstruction costs paid by the Town, estimated to be \$X,XXX. Such reimbursement shall be made no later than 60 days after completion of final payment for preconstruction costs.

3. PCWRA shall provide to the Town and to CP North copies of the monthly statements for the Escrow Account showing deposits and disbursements including cumulative itemized accounting of all deposits and disbursements to date. Such statements shall include a brief description of the preconstruction work associated with each disbursement from the Escrow Account.

4. The funds held in the Escrow Account shall be released for payment of the preconstruction costs upon delivery of the each Application, subject to the following:

a. Application Review: PCWRA's Manager or designee, a representative of CP North, and a designated representative of the Town shall review each Application, and sign approval of the same no later than ten (10) business days after receipt; provided, however, that the Application will not be approved for payment, or may be approved for payment of a lesser amount, if one or more of the Parties identifies in writing a legitimate concern about the amount of the Application or the work upon which the Application is based.

c. Disbursement of Funds: If all Parties approve the Application, PCWRA shall cause funds to be disbursed from the Escrow Account in accordance with the amount listed in the Application or in such lesser amount as may be approved by the Parties.

d. Insufficient Funds: If the Escrow Account does not contain sufficient funds to cover the amount listed in the Application, PCWRA shall immediately notify the Town of such insufficiency, and PCWRA shall not process the Application until sufficient funds are deposited into the Escrow Account to cover the funds requested in the Application.

5. Once the Expansion Agreement has been executed by PCWRA, the Town, and CP North, PCWRA shall thereupon transfer any and all funds held in the Escrow Account, together with accrued interest thereon, if any, into the Expansion Fund established pursuant to the Expansion Agreement, and thereafter all Project costs, including Contractor fees and other preconstruction costs, shall be paid from the Expansion Fund. At that time PCWRA shall provide a final accounting of the Escrow Account to the Town and CP North and a statement of the funds transferred to the Expansion Fund from the Escrow Account.

6. The Parties agree that the funds deposited into the Escrow Account shall be held by PCWRA exclusively for the payment of the Contractor pursuant to Applications as hereinabove set forth, and other preconstruction-related costs authorized by mutual agreement of the Parties, and for no other purpose, until the Expansion Agreement is signed as provided in Section 5. above.

7. PCWRA undertakes to perform only such duties as are expressly set forth herein and no other duties shall be implied. PCWRA shall not be liable for any action taken or omitted by it in good faith.

8. This Preconstruction Escrow Agreement may be executed in any number of counterparts each of which shall be deemed an original and of which shall together constitute one and the same Preconstruction Escrow Agreement. The Parties may execute and deliver this Preconstruction Escrow Agreement by forwarding (by facsimile, electronic transmission in PDF format or other means) copies thereof showing execution by the Parties.

9. The terms of this Preconstruction Escrow Agreement shall be binding upon the Parties hereto and their respective Board and Counsel members, agents, employees, successors and assigns.

10. Nothing in this Preconstruction Escrow Agreement shall be construed to benefit any person or entity not a Party hereto.

SIGNED and dated as above written.

ATTEST:

TOWN OF CASTLE ROCK

Lisa Anderson, Town Clerk

David L. Corliss, Town Manager

Approved as to form:

Approved as to content:

Robert J. Slentz, Town Attorney

Mark Marlowe, Director of Castle Rock Water

ATTEST:

**PLUM CREEK WATER RECLAMATION
AUTHORITY**

Shauna Nolte, Administrative Assistant

Weston Martin, Manager

Approved as to form:

Darryl L. Farrington, Attorney

ATTEST:

**CASTLE PINES NORTH METROPOLITAN
DISTRICT**

Janet Burnham, Secretary

Jim Nikkel, Manager

DRAFT

EXHIBIT B

PLUM CREEK WATER RECLAMATION AUTHORITY - WASTEWATER TREATMENT FACILITY - 3.0 MGD CAPACITY EXPANSION

DETAILED GENERAL CONDITIONS

Issued Date: 02/12/2018

Submitted Date: _03/20/2018_____

FIRM NAME: MOLTZ CONSTRUCTION, INC.

| ITEM NO. | DESCRIPTION | QUANTITY | UNIT | UNIT COST | TOTAL COST | COMMENTS / CLARIFICATIONS |
|----------|--|----------|------|-----------|---------------------|---------------------------|
| 1 | PRECONSTRUCTION: | | | | | |
| 2 | PROJECT PRECONSTRUCTION TOTAL | | | | \$ 70,362.60 | |
| 3 | Officers of the Company (included in fee) | --- | --- | --- | Included in Fee | |
| 4 | Project Executive (included in fee) | --- | --- | --- | Included in Fee | |
| 5 | Sr. Preconstruction Manager | 220 | HR | \$ 66.99 | \$ 14,737.80 | |
| 6 | Preconstruction Manager | | HR | \$ 66.99 | \$ - | |
| 7 | Sr. Estimator | 200 | HR | \$ 66.99 | \$ 13,398.00 | |
| 8 | Estimator | 200 | HR | \$ 59.40 | \$ 11,880.00 | |
| 9 | Sr. Project Manager | | HR | \$ 66.99 | \$ - | |
| 10 | Project Manager | 210 | HR | \$ 63.36 | \$ 13,305.60 | |
| 11 | Sr. Project Engineer | | HR | \$ 56.76 | \$ - | |
| 12 | Project Engineer | | HR | \$ 52.80 | \$ - | |
| 13 | Assistant Engineer | | HR | \$ 46.20 | \$ - | |
| 14 | Senior Project Superintendent | | HR | \$ 66.99 | \$ - | |
| 15 | Project Superintendent | 80 | HR | \$ 59.40 | \$ 4,752.00 | |
| 16 | Assistant Superintendent | 160 | HR | \$ 57.42 | \$ 9,187.20 | |
| 17 | Field Engineer | 0 | HR | \$ 52.80 | \$ - | |
| 18 | MEP Coordinator | | HR | \$ - | \$ - | |
| 19 | Administrative Support | 30 | HR | \$ 33.00 | \$ 990.00 | |
| 20 | Project Specific Accounting | | HR | \$ 33.00 | \$ - | |
| 21 | Scheduling | 40 | HR | \$ 52.80 | \$ 2,112.00 | |
| 22 | 3D Modeling/BIM | | HR | \$ 52.80 | \$ - | |
| 23 | [enter other staff positions] | | HR | | \$ - | |
| 24 | [enter other staff positions] | | HR | | \$ - | |
| 25 | | | | | | |
| 26 | TOTAL PRECONSTRUCTION (NOT TO EXCEED) | | | | \$ 70,362.60 | |