

Meeting Date: 7/19/2016

Report Type: Staff/Discussion

Report ID: 2016-00617

Title: Approval of Alternative, Competitive Procurement Process for Implementation of the Accelerated Water Meter Program (Two-Thirds Vote Required) [Continued from July 12, 2016]

Location: Citywide

Recommendation: Pass a Resolution suspending competitive bidding, in the best interest of the City, to use an alternative competitive process for the procurement of construction services to perform and complete the Accelerated Water Meter Program.

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Presenter: Dan Sherry, Engineering & Water Resources Manager, (916) 808-1419, Department of Utilities

Department: Department Of Utilities

Division: Cip Engineering

Dept ID: 14001321

Attachments:

1-Description/Analysis

2-Background

3-Resolution 2016-0056

4-Resolution

5-Exhibit A

City Attorney Review

Approved as to Form

Joe Robinson

6/22/2016 5:21:54 PM

Approvals/Acknowledgements

Department Director or Designee: Bill Busath - 6/10/2016 1:35:37 PM

Description/Analysis

Issue Detail: On February 24, 2015, the City Council passed Resolution No. 2015-0056 (see Attachment A), approving revised guidelines for the Department of Utilities (DOU) implementation plan to accelerate and complete the City's installation of water meters by December 31, 2020. Staff requests that the City Council suspend competitive bidding, in the City's best interests, to implement an alternative competitive process to select contractors to perform this Accelerated Water Meter Program (AWMP). Use of the alternative process described in this report will allow the City to select a group of the most qualified contractors to perform the work necessary for successful implementation of the AWMP, and distribute the work among these contractors in a cost-effective manner that best meets the AWMP goals and objectives.

Policy Considerations: City staff is proposing the use of an alternative competitive procurement process for the construction work required to implement the AWMP, utilizing Request for Qualifications (RFQ) and Request for Proposals (RFP) processes to select a group of the most qualified contractors to perform the work and distribute the work through multiple contracts with the selected contractors, to complete the AWMP in a coordinated, cost-effective, and timely manner. This proposed alternative process is described in more detail in Exhibit A of the Resolution included with this report. To authorize use of such a process, the City Council must suspend the City's normal competitive bidding requirement that would otherwise require a separate bidding and award process for each portion of the work required to implement and complete the AWMP.

City Code Section 3.60.170(D) allows the City Council to suspend competitive bidding for a public project upon a two-thirds vote, if the City Council determines that it is in the best interests of the City to do so. City staff believes that it is in the City's best interests to suspend competitive bidding for implementation of the AWMP, so the City can use the proposed alternative process, because:

- The City's standard competitive bidding process requires bidding and contract award to a single contractor based on price alone, provided the contractor meets the minimum qualifications specified to perform the work, and the City has no leeway to distinguish between bidders that meet minimal qualifications and more qualified bidders that exceed the minimum qualifications;
- Using the proposed alternative process rather than bidding and awarding contracts based on price alone will allow the City to evaluate and retain a group of the most qualified contractors for performance of the AWMP work based on a combination of price and other qualification considerations, such as water meter installation experience, past performance with the City, safety records, customer/public care, and other relevant factors. In addition, using this process will provide a significant ongoing incentive for the selected contractors to maintain high levels of service and responsiveness in order to

continue performing work throughout implementation of the AWMP, as a contractor whose performance under one AWMP contract is unsatisfactory would not be considered for successive contract awards;

- Effective communication and coordination between the City, its contractors, customers, and property owners is critical to the success of water meter and main installation projects that involve construction work on and adjacent to private property. Selecting a group of the most qualified contractors will allow the City to select contractors who best understand the comprehensive requirements of performing this type of work in order to provide a quality work product, excellent customer service, and effective property owner coordination, which will reduce the likelihood of significant problems and better ensure successful implementation of the AWMP;
- Using the proposed process will best enable the City to meet the completion deadline for the AWMP because it will create a stable, reliable pool of contractors for future, repeatable work packages; and will expedite issuance of contracts, as staff is able to recommend contract awards to contractors from the qualified contractor pool for each task order, rather than having to provide a separate bidding and award process for each portion of the work required; and
- Using the proposed process will be cost-effective and provide the best value to City water ratepayers, because it will promote cost and schedule efficiencies and ensure that the accelerated water meter program is completed by the December 31, 2020 deadline, enhancing the City's ongoing water conservation measures and better enabling the City to promote water conservation by its customers through consumption-based billing.

Economic Impacts: None.

Environmental Considerations: The AWMP was reviewed and determined to be categorically exempt from the California Environmental Quality Act (CEQA). The program includes replacing existing water mains (utility systems) involving negligible expansion of capacity (CEQA guidelines Section 15302 (c)), as well as the installation and location of new, small utility facilities (water meter boxes) (CEQA guidelines Section 15303). Each individual contract will be reviewed, prior to contract award by the City Council, to determine whether the work included in the contract includes any circumstances affecting the applicability of CEQA exemptions to such work.

Sustainability: The AWMP supports the goals of the City's Sustainability Master Plan by improving water conservation awareness through metered billing with a monthly statement of water usage to customers. Water meter installation also furthers the City's progress in implementing the Water Forum Agreement and the California Urban Water Conservation Council Best Management Practices (BMPs 1, 4, and 7).

Commission/Committee Action: Not applicable

Rationale for Recommendation: DOU is responsible for maintaining a water supply that meets essential public health, safety, and welfare needs for the City and its residents and businesses while meeting all local, state, and federal regulations. The AWMP reduced the meter retrofit program deadline by four years to maximize the City's water conservation efforts during the ongoing and future water shortage conditions; and as an ongoing tool to encourage efficient water use during non-drought periods. To meet the AWMP installation schedule, staff recommends using an alternative, competitive procurement process – referred to as Multiple Award Task Order Contracting (MATOC) - which is a contractor selection process based on qualifications, performance-based criteria, and pricing.

Financial Considerations: The recommendations in this report do not result in any financial impact to the City. Upon approval of this recommendation, staff will proceed with the MATOC process and return to City Council with recommendations for approval of an AWMP Master List of pre-qualified contractors. Subsequent recommendations for the award of Task Order contracts to contractors selected from the Master List also will require City Council approval.

Local Business Enterprise (LBE): LBE participation requirements will be included in all AWMP contracts.

Background

The Department of Utilities (DOU) water meter implementation program approved by City Council on May 24, 2005 planned for the installation of 105,000 water meters and the replacement or relocation of over 175 miles of water mains located in backyards.

From 2013 to the present, the State has experienced significant drought conditions, reinforcing the importance of metering water services as a water conservation tool. In response to the drought, DOU received City Council approval on February 24, 2015 (Resolution 2015-0056) to accelerate the installation of water meters to improve water conservation efforts within the City. The Accelerated Water Meter Program (AWMP) plans for the City to be 100% metered by the end of 2020; four years earlier than the State-mandated installation schedule.

Significant benefits from the AWMP include:

- accelerate the availability of customer interface to monitor water usage,
- enhanced leak detection,
- quicker transition to conservation pricing for water,
- lower short term costs,
- local economic boost, and
- compliance with legislative mandate to install meters ahead of schedule.

With assistance from a consultant, Carollo Engineers, DOU has been developing a plan to begin implementation of the AWMP in FY2017. Currently, DOU utilizes the Design-Bid-Build (DBB) procurement delivery model for each water meter or water main contract. Using this procurement process, construction contracts have required, on average, approximately three months from the date an Invitation for Bid is issued to the date of contract award and initiation of construction activities. After evaluating the schedule and the scope of work to be accomplished in the next four years, it became apparent that the existing procurement approach requiring a separate bidding and award process for each portion of the work will prevent DOU from meeting the AWMP completion target of December 31, 2020.

DOU recommends adopting an alternative, competitive procurement process to ensure that the AWMP can be completed by December 31, 2020. The proposed alternative process, referred to as the Multiple Assignment Task Order Contract (MATOC) procurement process, will utilize a Request for Qualifications (RFQ) process to pre-qualify contractors to develop a Master List of qualified contractors to perform this work. The Master List will then be used to issue Requests for Proposals (RFP) for specific

tasks (i.e., defined portions of the AWMP). MATOC is a contractor selection process based on qualifications, performance based criteria, and pricing that will allow the City to award contracts to qualified contractors and repeat the process multiple times if the contractors perform well and within budget.

Significant benefits from the MATOC procurement approach include:

- creation of a stable, reliable pool of contractors for future, repeatable work packages;
- combination of qualification and experience-based contractor selection and price competition;
- procurement schedule is significantly reduced by having a pre-qualified contractor pool;
- expedited issuance of task orders through direct negotiations with a pre-qualified contractor pool;
- incentive for quality work with a minimum of customer complaints due to the continuous ranking of contractors through their performed work; and
- flexibility for contractors to plan resources strategically across the AWMP-assigned work to promote cost and schedule efficiencies.

If the MATOC procurement process is approved by the City Council, DOU will return to City Council to request approval of the AWMP Master List of pre-qualified contractors developed through the RFQ process. During project implementation, each Task Order contract proposed for award to a Contractor on the AWMP Master List will be brought before City Council for award.

RESOLUTION NO. 2015-0056

Adopted by the Sacramento City Council

February 24, 2015

APPROVING REVISED WATER METER IMPLEMENTATION GUIDELINES TO ACCELERATE INSTALLATION OF WATER METERS

BACKGROUND

- A. Assembly Bill 2572, enacted in 2004, mandated the installation of water meters on all water service connections by January 1, 2025.
- B. The City of Sacramento Department of Utilities (DOU) developed a water meter implementation program to meet this requirement. The program encompassed the installation of 105,000 water meters and replacement of 188 miles of water main pipelines.
- C. On May 24, 2005, the City Council adopted Resolution No. 2005-347, which included approval of the following guidelines for implementation of the water meter program:
 - Spreading meter installation projects throughout the City;
 - Replacing aging water mains as part of the program;
 - Continuing to add new meter installation projects that are adjacent to completed projects; and
 - Installing meters in sidewalks, except in specified instances.
- D. Since the water meter program's inception in 2005, 42,500 meters and 24 miles of new water mains have been installed throughout the City.
- E. In 2014, the State experienced significant drought conditions, triggering significant measures by the City and other water purveyors to reduce water use. Beginning in February through the end of 2014, the City's drought-response measures reduced water usage Citywide by approximately 20% compared to the same period in 2013.

- F. The ongoing drought conditions have reinforced the importance of implementing water conservation measures, including the installation of water meters that incentivize water conservation through consumption-based billing. The Department of Utilities has proposed revisions to the water meter program guidelines previously approved by the City Council, by Resolution 2005-347, that will enable the City to complete water meter installation by December 31, 2020, four years ahead of the deadline specified in AB 2572.
- G. Approval of revised guidelines to accelerate the installation of water meters will enhance the City's ongoing water conservation measures and better enable the City to promote water conservation by its customers through consumption-based billing.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Department of Utilities' water meter implementation program will install water meters in accordance with the following guidelines:
 - a. DOU will prioritize the installation of water meters connected to distribution mains currently in public streets and alleys.
 - b. DOU will reduce the number of water meters to be installed in the sidewalk by installing meters adjacent to the sidewalk where feasible (i.e., subject to existing public easements and site restrictions).
 - c. In areas with existing backyard mains, where DOU deems it feasible to delay the relocation of the backyard main, water meters will be installed in the backyards, subject to existing public easements and site improvements.
 - d. In areas with existing backyard mains, where DOU deems it is not advisable to delay the relocation of the backyard main, the backyard water main will be relocated to the street and water meters will be installed adjacent to the sidewalk where feasible (see #b).

- Section 2. This Resolution replaces and supersedes Resolution No. 2005-347.

Adopted by the City of Sacramento City Council on February 24, 2015, by the following vote:

Ayes: Members Ashby, Carr, Hansen, Harris, Jennings, Schenirer, Warren
and Mayor Johnson

Noes: None

Abstain: None

Absent: None

Vacant: District 6

Attest:

Shirley Concolino

Digitally signed by Shirley Concolino
DN: cn=Shirley Concolino, o=City of Sacramento, ou=City
Clerk, email=sconcolino@cityofsacramento.org, c=US
Date: 2015.03.16 15:48:24 -07'00'

Shirley Concolino, City Clerk

RESOLUTION NO. 2016-

Adopted by the Sacramento City Council

Date

SUSPENDING COMPETITIVE BIDDING FOR IMPLEMENTATION OF THE ACCELERATED WATER METER PROGRAM, TO ALLOW USE OF AN ALTERNATE COMPETITIVE PROCUREMENT PROCESS

BACKGROUND

- A. On February 24, 2015, the City Council adopted Resolution No. 2015-0056, approving changes to the City's water meter installation guidelines to accelerate the installation of water meters to complete the installation of meters on all City water service connections by December 31, 2020, four years ahead of the statutory deadline specified in Assembly Bill 2572.
- B. On October 27, 2015, the City Council approved a professional services agreement with Carollo Engineers (Carollo) to assist the City with development and implementation of a program to accelerate and complete the installation of water meters as specified in Resolution No. 2015-0056.
- C. On March 29, 2016, the City Council adopted Ordinance No. 2016-0015, approving four successive annual increases to the City's water service rates, to take effect on July 1, 2016, and annually thereafter for three years, in part to provide funding to accelerate the City's completion of water meter installation as specified in Resolution No. 2015-0056.
- D. City staff, with the assistance of Carollo, has developed a proposed Accelerated Water Meter Program (AWMP) to perform and complete water meter installation by December 31, 2020 as specified in Resolution No. 2015-0056. To implement the AWMP through the end of 2020, it will be necessary for the City to design, bid, award, and manage contracts to install approximately 40,000 water meters, and install approximately 80 miles of water main, at a total cost of approximately \$230 million. Under the City's standard contract solicitation process for public project construction, each separate contract to implement a portion of the AWMP would be designed, competitively bid, and awarded to the lowest responsible bidder for that portion of the work.
- E. City staff is proposing the use of an alternative competitive process for procurement of the services and work required to implement the AWMP, utilizing a Request for Qualifications (RFQ) process to develop a Master List of the most qualified contractors to perform the work, and a Request for Proposals (RFP) process to distribute the work through multiple contracts (Task Orders) with the selected contractors. This will lead to the completion of the AWMP in a coordinated, cost-effective, and timely manner. This proposed alternative

competitive procurement process is described in more detail in Exhibit A of this Resolution. To authorize use of such a process, the City Council must suspend the City's normal competitive bidding requirement, that would otherwise require a separate bidding and award process for each portion of the work required to implement and complete the AWMP.

- F. City Code Section 3.60.170(D) allows the City Council to suspend competitive bidding upon a two-thirds vote, if the City Council determines that it is in the best interests of the City to do so. It is in the City's best interests to suspend competitive bidding for implementation of the AWMP, so the City can use the alternative process described in Exhibit A, because:
- The City's standard competitive bidding process requires bidding and contract award to a single contractor based on price alone, provided the contractor meets the minimum qualifications specified to perform the work, and the City has no leeway to distinguish between bidders that meet minimal qualifications and more qualified bidders that exceed the minimum qualifications. Using the alternative process will allow the City to select a group of the most qualified contractors to perform the work necessary for successful implementation of the AWMP, and distribute the work among these contractors in a manner that best meets the AWMP goals and objectives;
 - Using the alternative process rather than bidding and awarding contracts based on price alone will allow the City to evaluate and retain a group of the most qualified contractors for performance of the AWMP work based on a combination of price and other qualification considerations, such as water meter installation experience, past performance with the City, safety records, customer/public care, and other relevant factors. In addition, using this process will provide a significant ongoing incentive for the selected contractors to maintain high levels of service and responsiveness in order to continue performing work throughout implementation of the AWMP, as a contractor whose performance under one AWMP contract is unsatisfactory would not be considered for successive contract awards;
 - Effective communication and coordination between the City, its contractors, customers, and property owners is critical to the success of water meter and main installation projects that involve construction work on and adjacent to private property. Selecting a group of the most qualified contractors will allow the City to select contractors who best understand the comprehensive requirements of performing this type of work in order to provide a quality work product, excellent customer service, and effective property owner coordination, which will reduce the likelihood of significant problems and better ensure successful implementation of the AWMP;
 - Using the alternative process will best enable the City to meet the completion deadline for the AWMP because it will create a stable, reliable pool of

contractors for future, repeatable work packages; and will expedite issuance of contracts, as staff is able to recommend contract awards to contractors from the qualified contractor pool for each task order, rather than having to provide a separate bidding and award process for each portion of the work required; and

- Using the alternative process will be cost-effective and provide the best value to City water ratepayers, because it will promote cost and schedule efficiencies and ensure that the accelerated water meter program is completed by the December 31, 2020 deadline, enhancing the City's ongoing water conservation measures and better enabling the City to promote water conservation by its customers through consumption-based billing.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. Competitive bidding is suspended, in the best interests of the City, for procurement of the services and work utilized to implement and complete the Accelerated Water Meter Program.

Section 2. Use of the alternate competitive procurement process described in Exhibit A is approved.

Section 3. Exhibit A is made a part of this Resolution.

Attachment:

Exhibit A – Description of AWMP Alternate Competitive Procurement Process

EXHIBIT A

Alternate Competitive Procurement Process Accelerated Water Meter Program (AWMP)

The Department of Utilities will utilize a procurement process sometimes referred to as Multiple Assignment Task Order Contracting (MATOC), which involves selection and award of multiple task order contracts to a pre-qualified pool of Contractors based on the Contractors' qualifications, capacity, performance-based criteria, and pricing. This is a multi-step process consisting of a Request for Qualifications, Council approval of a Master List of pre-qualified Contractors, issuance of Requests for Proposals, and Council award of Task Order contracts. The process is outlined below:

1. Request for Qualifications (RFQ)
 - Department of Utilities (DOU) issues a request for letters of interest (LOI) from the contracting community to gauge interest in the AWMP.
 - After receiving LOIs, DOU issues RFQ soliciting financial, technical, and managerial qualifications and other pertinent information from contracting community.
 - Interested Contractors provide Statement of Qualifications (SOQ) submittals and estimated unit cost pricing for AWMP work to DOU.
 - DOU evaluates SOQ submittals in accordance with the RFQ criteria to create a Master List pool of pre-qualified Contractors.

2. Approval of Master List of pre-qualified Contractors
 - DOU recommends that City Council approve the Master List of the pre-qualified Contractors from the RFQ process.
 - Additional RFQ processes may be conducted over duration of the AWMP to add pre-qualified Contractors to the Master List, if needed.

3. Request for Proposals (RFP)
 - DOU divides AWMP into various Task Orders. Each Task Order is a contract for a project area.
 - DOU issues RFPs for specific Task Orders to all Contractors on Master List, requesting scope, schedule, pricing, and other information relative to performance of the Task Order work.
 - Contractors submit Proposals containing technical and pricing information.
 - DOU evaluates Contractor Proposals in accordance with the RFP criteria and negotiates Task Order terms and pricing with selected Contractors.

- Evaluation of a Contractor will consider Contractor's performance of prior Task Order(s), as well as the Contractor's pricing and capacity to perform the Task Order work.
 - Contractor's pricing will be compared to what the Contractor submitted in the RFO process, and all recent similar contracts DOU has awarded over the past 5 years through the traditional design-bid-build process.
4. Award of Task Order Contracts
- DOU recommends Council award of individual Task Order Contracts to Contractors selected through the RFP process.
 - It is currently estimated that each Task Order Contract will range between 2 and 15 million dollars.
5. Multiple Assignment of Task Order Contracts
- DOU anticipates between 5 and 10 Task Order Contracts will be awarded each year for the duration of the AWMP.
 - Upon or near completion of each Task Order Contract, DOU will evaluate the performance and capacity of each Contractor to ensure they continue to meet the City's expectations.
 - If the Contractor performs well, they are placed back in the queue with the other pre-qualified Contractors on the Master List for the next Task Order RFP.
 - Steps 3, 4, and 5 are repeated until all AWMP work is completed.