



● **Board of Directors**
Engineering and Operations Committee

8/16/2022 Board Meeting

7-6

Subject

Authorize annual increases of \$200,000 to existing, five-year on-call agreements with RHA, LLC; Strategic Value Solutions, Inc.; and Value Management Strategies, Inc. for a new annual not-to-exceed total of \$440,000, for value engineering and other technical services in support of Capital Investment Plan projects; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan conducts value engineering workshops to improve the overall outcome of projects delivered through the Capital Investment Plan (CIP). These workshops apply industry-accepted best practices to ensure that projects are developed and implemented in a manner that balances functionality and life-cycle costs. These services are typically provided through on-call professional services agreements. The demand for these services has increased since three five-year on-call agreements were authorized by the General Manager in December 2019. Increases to the annual maximum agreement amounts are recommended for three firms at this time. This action authorizes annual increases of \$200,000 to existing on-call agreements with RHA, LLC; Strategic Value Solutions, Inc.; and Value Management Strategies, Inc.

Details

Background

Metropolitan initiated a Value Engineering (VE) program in 1994 to enhance project performance, optimize the use of funding for CIP projects, and to demonstrate responsible use of public funds. The objective of the VE program is to improve the overall value of CIP projects by applying an industry-accepted assessment methodology to examine a project's function, systems, equipment, and material selections. This comprehensive assessment is conducted at multiple stages in the project's life cycle. In the process, staff works to ensure the desired project exhibits functionality and costs that are consistent with the required performance, quality, reliability, and safety objectives. Metropolitan's standard is to provide VE workshops for all projects with construction contract estimates that exceed \$5 million. A second assessment process, referred to as a constructability review, includes a workshop focused on reviewing the overall means and methods of constructing a project. This review is performed on projects with a construction contract estimate that exceeds \$2 million.

Under the current CIP expenditure plan, Metropolitan does not have enough staff certified through the Society of American Value Engineers International (SAVE) to conduct both VE and constructability reviews on projects that meet the threshold requirement for assessment. Consequently, consultants are used to lead these activities on certain projects. This approach ensures that projects within the CIP continue to be effectively evaluated during their design development process. The supplemental technical services are typically provided through on-call agreements which provide certified facilitators as well as subject-matter experts to provide a third-party perspective of the project's composition and design approach. In December 2019, the General Manager authorized three on-call agreements for five years, with a maximum amount payable of \$240,000 per agreement year, to provide VE services.

For the past 10 years, Metropolitan's Board has authorized planned expenditures on the CIP, which have averaged \$250 million per year. In April 2022, the Board approved an increased budget for FYs 2022/23 and 2023/24 to \$300 million per year. Staff recommended this increase so that core work on rehabilitation and replacement work

can continue while simultaneously advancing work on key additional initiatives like drought resiliency and flexibility, battery energy storage systems for energy sustainability, and desert housing and village enhancements. As a consequence of the planned increase to CIP expenditures, the number of requested VE workshops and constructability reviews has increased in order to support the continued efficient management of the CIP. Over the past decade, the VE program averaged about eight workshops per year. During the first six months of the current agreement year, 11 consultant-led workshops have been completed or are in the planning stages. Consequently, the current VE consultants are approaching their annual maximum agreement capacity much earlier than in previous years. This trend is expected to continue into the foreseeable future as these services are required to support the \$600 million biennial CIP for fiscal years 2022/23 and 2023/24.

Value Engineering Services (RHA, LLC; Strategic Value Solutions, Inc.; and Value Management Strategies, Inc.) – Amendment to Agreements

In October 2019, Metropolitan issued Request for Qualifications (RFQ) No. 1229 to identified qualified firms to provide SAVE-certified VE and other similar engineering workshops. Following evaluation of the RFQ respondents, and based on Metropolitan's then-current needs, RHA, LLC (RHA); Strategic Value Solutions, Inc. (SVS); and Value Management Strategies, Inc. (VMS) were awarded agreements under the General Manager's authority. The General Manager awarded each firm an on-call agreement for five years with a maximum amount payable of \$240,000 per agreement year to provide VE services. The agreements started on December 1, 2019, and will end on November 30, 2024.

Metropolitan uses these SAVE-certified VE consultants for a variety of services. Primarily, staff from these firms facilitate project-specific weeklong VE and constructability workshops with the project teams. The specialized expertise provided by these firms may also facilitate issue-specific project optimization sessions. Specific examples of upcoming or ongoing VE studies include: (1) the ongoing five-part workshops that seek to identify alternate sources of water for State Water dependent areas; and (2) the planned VE workshop to reduce overall project costs for the Colorado River Aqueduct Storage Building Replacement project. Past experience has demonstrated the value of these types of studies to ensure the efficient execution of the CIP.

This action authorizes an increase of \$200,000 per agreement year for existing on-call agreements with RHA, SVS, and VMS for a new not-to-exceed total of \$440,000 for VE, meeting facilitation, and technical engineering services. The new maximum payable amount will be in effect for the remainder of the agreement term.

Funds for the work assigned to the consultants under on-call agreements are available within Metropolitan's capital expenditure plan. No work is guaranteed to the consultants under these agreements. For each of the agreements, Metropolitan has established a Small Business Enterprise participation level of 25 percent.

Alternatives Considered

Alternatives considered for completing VE workshops included assessing the availability and capability of in-house Metropolitan staff to conduct this work. Metropolitan's staffing strategy for utilizing consultants and in-house Metropolitan staff has been: (1) to assess current work assignments for in-house staff to determine the potential availability of staff to conduct this work; and (2) for long-term rehabilitation projects when resource needs exceed available in-house staffing or require specialized technical expertise.

This strategy relies on the assumption that in-house engineering staff will handle the baseload of work on capital projects, while professional services agreements are selectively utilized to handle projects above this baseload or where specialized needs are required. This strategy allows Metropolitan's staff to be strategically utilized on projects to best maintain key engineering competencies and to address projects with special needs or issues. After assessing the current workload for in-house staff and the relative priority of this project, staff recommends the use of a professional services agreement for the VE workshops. This approach will allow for the completion of not only these workshops but also other budgeted capital projects within their current schedules. Furthermore, a third-party perspective is often a key element of a VE review.

Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 52778, dated April 12, 2022, the Board appropriated a total of \$600 million for projects identified in the Capital Investment Plan for Fiscal Years 2022/2023 and 2023/2024.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State of CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize annual increases of \$200,000 to existing, five-year on-call agreements with RHA, LLC; Strategic Value Solutions, Inc.; and Value Management Strategies, Inc. for a new annual not-to-exceed total of \$440,000, for value engineering and technical engineering services

Fiscal Impact: None; funding for the work to be assigned to the consultants under on-call agreements and performed this biennium is already authorized in the biennial budget. Future costs will be accounted for and appropriated under subsequent biennial budgets. In addition, no work is guaranteed to the consultants under these agreements.

Business Analysis: Approval will allow staff to continue to conduct value engineering workshops in support of Metropolitan's CIP program.

Option #2



Do not authorize an increase in the maximum amount payable under the value engineering agreements at this time.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan staff would facilitate the value engineering workshops. This option may result in delays to other projects in Metropolitan's CIP.

Staff Recommendation

Option #1

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|  _____ John V. Bednarski Manager/Chief Engineer Engineering Services | 7/26/2022 _____ Date |
|  _____ Adel Hagekhalil General Manager | 7/27/2022 _____ Date |