

**COUNCIL ACTION FORM**

**SUBJECT: AMENDMENT TO ENGINEERING SERVICES AGREEMENT FOR CONSTRUCTION OF ELEVATED WATER STORAGE TANK**

**BACKGROUND:**

In January 2006 the City entered into an engineering services contract with DeWild Grant Reckert and Associates (DGR) of Rock Rapids, Iowa. This contract provided design and inspection services for the new elevated water storage tank near the State Avenue and Mortensen Road intersection. The engineering services agreement was for \$67,500, which included an estimated \$20,000 inspection services fee. Design was completed in 2006, and the tank construction contract was awarded in 2007. The contract called for a July 1, 2008 completion.

Construction began in August 2007. Work was slow during the winter, and a change order was necessary to account for additional engineering inspection services. This change order increased the inspection services fee to \$45,000 (\$92,500 total contract), not to be exceeded without prior approval of City staff.

The July 1, 2008 completion date was not met. In August, a significant construction defect was noticed which again slowed the project. Progress on the tank has fallen further behind schedule, and the slower pace will result in additional inspection visits and office work being required. At this time, the cost estimate for engineering services must be increased again to keep the project moving forward. City staff requested that DGR provide a revised cost estimate for inspection services through the project duration. DGR proposes increasing the cost estimate from \$45,000 to \$62,000, not to be exceeded without prior approval of City staff. The project budget includes a contingency which can be used to cover the additional engineering services, which is funded by a construction contract provision stating that the contractor shall pay \$750 in damages for each day completion is delayed beyond July 1, 2008. Staff expects that these additional engineering costs will ultimately be recovered through liquidated damages paid by the contractor.

The revised project costs and available funding (not including liquidated damages) are as follows:

<u>Construction</u>		
Elevated Tank	\$1,686,287	
Electrical	5,000	
Security Fence	<u>25,000</u>	
<i>Subtotal</i>		\$1,716,287
Contingency, ~ 4%		<u>62,598</u>
Construction TOTAL		1,778,885

<u>Engineering Services</u>		
Design, Bidding, Construction	47,500	
Inspection (DGR)	62,000	
Inspection (Tank Industry Consultants)	<u>11,615</u>	
<i>Subtotal</i>		<u>121,115</u>
TOTAL PROJECT COST		\$1,900,000

**Available Funding**

<u>Current Allocated</u>		
FY 06-07 CIP	\$1,000,000	
FY 07-08 CIP	<u>900,000</u>	
TOTAL		\$1,900,000

**ALTERNATIVES:**

1. Amend the engineering services contract with DGR and Associates to account for additional construction inspection services. This increases the total contract amount from \$92,500 to \$109,500.
2. Do not approve additional construction inspection services for the new elevated water storage tank.

**MANAGER'S RECOMMENDED ACTION:**

Timely completion of the tank is a key element of the distribution system improvements, and this completion cannot be accomplished without additional inspection services.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby amending the engineering services contract with DGR and Associates.