



King County

Metropolitan King County Council Budget and Fiscal Management Committee

AGENDA ITEM 5 **DATE:** July 2, 2013
PROPOSED No.: 2013-0214 **PREPARED BY:** Mike Reed

STAFF REPORT

SUBJECT: Revising vendor selection criteria for the Factoria Recycling and Transfer Station construction contract

SUMMARY:

In 2012, the Executive proposed using a “Competitive Negotiation” procurement methodology for the construction of the Factoria Recycling and Transfer Station, and accompanied the proposal with a list of Evaluation Criteria by which the vendor would be selected. The Council approved the proposed criteria in September 2012. However, an important criterion was not included among the criteria. As such, the Executive is proposing to revise the list to include this “price proposal” criterion.

BACKGROUND:

In September 2012, the Council approved an executive requested ordinance authorizing use of the Competitive Negotiation methodology authorized in state law¹ for the procurement of a contract for the construction of the Factoria Recycling and Transfer Station. The Factoria Recycling and Transfer Station project is part of the broader upgrade of the solid waste transfer station system, pursuant to the Waste Transfer and Waste Management Plan, adopted by Council in 2007.

The Competitive Negotiation method allows greater flexibility to the County in its procurement of a vendor for project construction. Discussions with vendors to confirm common understanding of project needs, and of vendor capacity to meet those needs, are built into the process. Additionally, the law allows that the vendor may be selected on a range of criteria, not limited solely to lowest price bid. Also, the state code provides for a larger role for the legislative authority in the procurement process, including that the legislative authority may designate a representative to evaluate vendors, to request qualifications statements and detailed project proposals, evaluate vendor qualifications, and negotiate contract. The legislative authority must hold a public hearing, make written findings that it is in the public interest to enter into the contract, that the contract is financially sound, and that this contracting method is

¹ RCW 36.58.090 Contracts with Vendors for Solid Waste Handling Systems, Plants, Sites or Facilities

advantageous to the county. Finally, the legislative authority contracts with the vendor for the design, construction or operation of the “solid waste handling system”.

When Ordinance 17435 was originally transmitted to Council for consideration, a list of Evaluation Criteria, by which the vendors would be evaluated, was attached. Those criteria included considerations such as experience, past performance, financial resources, work load, safety program, environmental protection, staging, quality control, construction, schedule, coordination of activities, contract closeout, small contractors outreach, and small contractors outreach.

Not included in the list of criteria was the vendor’s price proposal—the amount that the vendor would charge for design/engineering/construction services.

Communications with the Executive indicate that this exclusion was an oversight; the price proposal is an important, though not exclusive, element of the evaluation, and should be included among the evaluation criteria. The absence of a price criterion could potentially suggest to vendors that price is not a consideration, and encourage vendors to propose a contract that fully satisfies all the listed criteria, though at an elevated cost. Any subsequent imposition of a price criterion by the County, absent its inclusion in the listed criteria, could be problematic for the process.

Factoria Project Status

The Factoria Recycling and Transfer Station project is proceeding through steps leading to the issuance of a Request for Proposals (RFP), through which interested vendors will submit formal written proposals that will respond to the engineering and construction parameters of the project. The Solid Waste Division is developing an RFP that addresses project scope, intent, and related considerations.

This project is listed as a “multi-phase appropriations” project, pursuant to Ordinance 16764. Because of this and in follow-up to the 2011 “Performance Audit of Solid Waste Transfer Station Capital Projects”, the County Auditor’s Capital Project Oversight Program is conducting oversight on this project. The Auditor has undertaken a series of oversight meetings with project and division managers from the Solid Waste Division, in which project schedules, risk elements, and progress are discussed. The Division has established a schedule which proposes the issuance of a Request for Proposals followed by project discussions with prospective vendors to clarify and confirm project parameters, and the capacity of vendors to address project needs. Under the Division’s proposed schedule, a vendor would be selected, contract negotiated and awarded, and a “Notice To Proceed” with construction issued on May 1, 2014. That would be followed by demolition of warehouses at the site, and by a site dewatering effort.

Issue Update: Developments since June 4 2013 BFM Meeting:

At the June 4 2013 meeting of the Budget and Fiscal Management Committee, staff described the Executive Request legislation adding a “price proposal” criterion to the Evaluation Criteria list to be used in the selection of a construction contractor for the

Factoria Recycling and Transfer Station. Also addressed was the Auditor's oversight role on the project, and potential scheduling issues associated with wet weather construction management raised by the Auditor. There have been a number of developments since the last meeting of the Committee on this topic:

- **Auditor's Report:** On June 13, the Auditor's Office issued a report entitled "Factoria Recycling and Transfer Station Oversight Report". Key elements of the report include:
 - The current schedule to award the construction contract and perform initial construction work is not aligned with the action plan in the project risk register to mitigate weather-related construction risk;
 - Although the Auditor noted concerns with the conflict between the risk register and the schedule for the initial construction phase, the auditor "has not identified conflicts with the schedule for earthworks in the later phases of construction". SWD indicates they are confident their current schedule provides sufficient time for the contractor to mitigate the weather-related risks during the first and subsequent years of construction.
 - SWD is currently late in issuing the RFP for construction contractors, and will need to allow adequate time for a public hearing and council approval of the construction contract award.
 - An important permitting goal was to receive approval from the City of Bellevue to discharge site dewatering necessary for construction into a nearby tributary. SWD reports success in negotiating with Bellevue to allow the discharge of up to 2.63 cubic feet per second into the tributary from October 1—April 30. SWD believes this should address most—if not all—of the winter season groundwater discharge needs.
 - The County is anticipating paying honoraria to bidders at two separate stages of the procurement process; if all eligible firms proceed through the process and no contract is awarded, the County could be obligated to pay up to \$400,000 in honorarium costs;

In light of these circumstances, the Auditor made the following Recommendation:

"SWD should work to accelerate the contractor selection process and award the construction contract as early as possible in 2014."

- **Solid Waste Transfer and Waste Management Plan Review:** Cities that are participants in the regional solid waste system have focused increasing attention on the need for a review of the 2006 Solid Waste Transfer and Waste Management Plan. This comes about as the Cities conclude review processes of an agreement to revise and extend the Interlocal Agreement binding cities to the system; to date, 31 cities have agreed to the *Amended and Restated Interlocal Agreement*, while five cities, including Bellevue, have acted not to extend the agreement, and remain under the current agreement that expires in 2028.

This outcome, and tonnage volume reductions driven by the Great Recession and by the success of recycling programs, have energized discussions about Plan review. In particular, the Sound Cities Association has recently forwarded a letter calling for review of the transfer station upgrade, in light of waste volume developments. The letter noted the changed conditions, and identified specific elements for further review, focusing on the station evaluation criteria addressed in the 2006 report. Members of the Metropolitan Solid Waste Management Advisory Committee have also raised this issue.

- **Solid Waste Division Proposal:** The Solid Waste Division has acknowledged the need for a process that provides for a review of the 2006 Solid Waste Transfer and Waste Management Plan, to be completed in October 2013. That process assumes parallel progress on issuance of the Factoria RFP, based on an approval by Council of the Evaluation Criteria in Proposed Ordinance 2013-0214, currently before BFM. Recommendations would be brought back to Council in December on the results of the Plan review, and Factoria procurement.

In this context, the Committee may wish to consider an approach that accepts the Executive's recommendation on the Evaluation Criteria revision, but that requires and characterizes a review of the Solid Waste Transfer and Waste Management Plan. Such an approach would:

- Require a review of the Plan, and identify minimum review elements;
- Require a report back by October 15, 2013
- Require review of the report through an independent third party.

In addition, the Committee may wish to consider an expenditure restriction or proviso that limits capital expenditures on the Factoria Recycling and Transfer Station project, pending completion and Council acceptance of the review.

ANALYSIS:

The Factoria Project is at an important stage. Significant regional interest is focused on the need for a review of the 2006 Solid Waste Transfer and Waste Management Plan. That Plan provides the basis for the ongoing solid waste transfer station upgrade project. Important changes in context, including reductions in waste tonnage resulting from economic trends, recycling efforts, and a potential reduction in the numbers of system participants upon expiration of the existing interlocal agreement, have generated interest in a review of the Plan and its assumptions. It should be noted that the original 2006 Plan was undertaken specifically pursuant to Council direction; it would appear reasonable that a review of that Plan would involve a Council role as well. Further, as noted above, Council has a heightened role in the procurement strategy, and will be required to arrive at conclusions regarding the appropriateness of the Factoria construction contract.

The Auditor's review, while acknowledging that an element of the Division's Risk Register is not well aligned with the project schedule, has emphasized the importance of accelerating the contractor selection process.

REASONABLENESS

The approval of Proposed Ordinance 2013-0214, paired with a strategy to require a review of the 2006 Solid Waste Transfer and Waste Management Plan, appears to be a reasonable business decision.

ATTACHMENTS:

1. Proposed Ordinance 2013-0214, with Attachments
 - a. Attachment A: Selection Criteria, Factoria Recycling and Transfer Station Construction Contract, April 11, 2013
2. Transmittal Letter
3. Fiscal Note
4. Auditor's Report: "Factoria Recycling and Transfer Station Oversight Report"

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KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

July 1, 2013

Ordinance

Proposed No. 2013-0214.1

Sponsors McDermott

1 AN ORDINANCE revising vendor selection criteria for the
2 Factoria recycling and transfer station construction
3 contract; and amending Ordinance 17435, Section 3.

4 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

5 SECTION 1. Ordinance 17435, Section 3, is hereby amended to read as follows:

6 The King County council approves the use of the evaluation criteria included in

7 Attachment A to (~~this ordinance (Ordinance 17435))~~ this ordinance to be used for
8 review of competitive proposals to construct the Factoria recycling and transfer station.

9

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Selection Criteria - Factoria Recycling and Transfer Station Construction Contract - April 11, 2013

SELECTION CRITERIA
Factoria Recycling & Transfer Station Construction Contract
April 11, 2013

A. Specialized Experience and Technical Competence

King County will evaluate the specialized experience of the proposer's project team members.

B. Record of Past Performance

King County will evaluate proposer's experience and record on projects of similar scope and complexity.

C. Financial Resources

King County will evaluate the proposer's financial abilities to perform the project.

D. Current and Projected Work Load for Proposer's Key Personnel

King County will evaluate the current and projected work load of the proposer's key personnel and its major subcontractor's key personnel, to demonstrate their ability to perform work on the project in a complete and timely manner.

E. Safety Program

King County will evaluate the proposer's ability to maintain a safe working environment for the project.

F. Environmental Protection and Mitigation

King County will evaluate the proposer's environmental protection and mitigation approach for the project.

G. Staging

The proposer must demonstrate how and where it will stage materials, equipment and employee parking for the project.

H. Approach to Quality Assurance and Quality Control (QA/QC)

King County will evaluate the proposer's approach to QA/QC with respect to the construction and post construction of the project.

I. Proposer's Approach to Construction

King County will evaluate the proposer's approach to construction and how the proposed approach meets requirements as described in the Request for Proposal (RFP).

J. Project Schedule

King County will evaluate the proposer's ability to construct and complete the project in a timely manner in accordance with the requirements set forth within the RFP documents.

K. Coordination of Activities During On-going Facility Operations

King County will evaluate the proposer's approach to coordination of construction activities with on-going transfer station operations.

L. Contract Closeout and Warranty Administration

King County will evaluate the proposer's approach to performing contract closeout and warranty administration.

M. Small Contractors and Suppliers (SCS) and Outreach Plan

Achievement of the SCS commitment revolves around the development and implementation of an effective subcontracting plan and outreach/participation plan and a proactive approach to maximizing opportunities for certified SCS firms.

N. Price Proposal

King County will evaluate each proposer's proposed price to complete the contract work and factor this into the overall scoring as outlined in the RFP.

April 22, 2013

The Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Gossett:

This letter transmits an ordinance making a technical amendment to Ordinance 17435 for the new Factoria Recycling and Transfer Station (“new station”) in Bellevue. This legislation will clarify the selection criteria for the construction contract.

Attachment A to Ordinance 17435 described criteria to be used by King County to select a construction contractor using the alternative selection process authorized in RCW 36.58.090. Due to a technical error, the final criterion, price, was omitted from the Attachment. That criterion is added to the selection criteria in Attachment A to this ordinance, ensuring that the County may select the general contractor who provides the best value to County ratepayers.

As with adopted Ordinance 17435, this amendment meets King County’s Strategic Plan goal of financial stewardship through the exercise of sound financial management by managing the County’s assets and capital investments in a way that maximizes their productivity and value. Construction of the new station will assist in meeting goals to deliver services responsive to community needs, protect public health, and safeguard King County’s natural resources and environment.

Equity and social justice ideals are advanced through the fair distribution of transfer facilities, services and resources. This helps ensure that all County residents have access to services that create safer and healthier communities.

The new station also supports the objectives and strategies of the Strategic Climate Action Plan through a focus on environmental sustainability, including the expansion of recycling services and utilizing green building practices.

The Honorable Larry Gossett
April 22, 2013
Page 2

Stakeholders, including the City of Bellevue, project neighbors, commercial haulers, and solid waste division staff have been involved in the planning and design stages of this project through periodic meetings, open houses and other community outreach efforts.

As required by adopted Ordinance 17435, a report on the Executive's recommendation of the most qualified vendor or vendors will be transmitted to the Council within 45 days of completion of the vendor evaluation process. In accordance with RCW 36.58.090, an ordinance authorizing the Executive to enter into the contract with the proposed vendor will be transmitted to the Council.

Thank you for your consideration of this ordinance.

If you have any questions, please feel free to contact Kevin Kiernan, Assistant Division Director of the Solid Waste Division of the Department of Natural Resources and Parks, at 206-263-3583.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Michael Woywod, Chief of Staff
 Anne Noris, Clerk of the Council
Carrie S. Cihak, Chief Advisor, Policy and Strategic Initiatives, King County
 Executive Office
Dwight Dively, Director, Office of Performance, Strategy and Budget
Christie True, Director, Department of Natural Resources and Parks (DNRP)
Pat D. McLaughlin, Division Director, Solid Waste Division (SWD), DNRP
Kevin Kiernan, Assistant Division Director, SWD, DNRP

FISCAL NOTE

Ordinance/Motion No. 2013-XXXX
 Title: Factoria Recycling and Transfer Station Selection Criteria
 Affected Agency and/or Agencies: Solid Waste Division, Department of Natural Resources and Parks
 Note Prepared By: Lisa Youngren, Solid Waste Division, Business and Finance Officer
 Note Reviewed By: Ann Berrysmith, Solid Waste Division, Finance and Administration Manager

Impact of the above legislation on the fiscal affairs of King County is estimated to be:

Revenue:

Fund/Agency	Fund Code	Revenue Source	2013	2014	2015	2016
TOTAL			0	0	0	0

Expenditures:

Fund/Agency	Fund Code	Department Code	2013	2014	2015	2016
TOTAL			0	0	0	0

Expenditures by Category

	2013	2014	2015	2016
Salaries & Benefits				
Supplies and Services				
Capital Outlay				
Other				
TOTAL	0	0	0	0

Assumptions: This ordinance amends previously approved vendor selection criteria for construction of the Factoria Recycling and Transfer Station. There is no fiscal impact.

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Factoria Recycling and Transfer Station Project Oversight Report



June 13, 2013

Thomas Wood
Tina Rogers

Executive Summary

The Solid Waste Division (SWD) is ready to issue the Request for Proposals to select the contractor for construction of the Factoria Recycling and Transfer Station. SWD's current schedule shows construction contract award and warehouse demolition work occurring later in the year than recommended in their risk register to mitigate weather-related construction risks. We recommend SWD work to award the contract as early as possible in 2014, and continue to consider early warehouse removal. SWD has addressed recommendations from our previous report.



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King County Auditor's Office
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ALTERNATIVE FORMATS AVAILABLE UPON REQUEST



Factoria Recycling and Transfer Station Project Oversight Report

Report Highlights
June 13, 2013

Project Status

● Scope

There have been no changes to the scope since the project baseline was established in December 2012 by the Solid Waste Division (SWD). The Metropolitan Solid Waste Advisory Committee is discussing the impact of a recent decision by five cities served by the Factoria Recycling and Transfer Station to not sign the Amended and Renewed Solid Waste Interlocal Agreement (ILA). SWD does not plan to change the scope due to the ILA situation.

▼ Schedule

The current schedule to award the construction contract and 2014 construction work needs attention, because it is not aligned with target dates identified in the project risk register to mitigate weather-related construction risks. SWD is at least 45 days behind their baseline schedule for issuing the request for proposals to construction contractors.

● Budget

The project budget includes a 15-percent construction contingency which should be adequate for the known risks. The baseline budget and expenditures are summarized below.

Baseline Budget	Life-to-Date Expenditures ¹	% Budget Spent	Budget Balance Remaining
\$88,820,000	\$19,096,870	21.5%	\$69,723,130

1. Through the April 2013 closed month recorded in the County's financial system.

▼ Risks

SWD's current schedule shows the contract award and 2014 construction work beginning later in the year than recommended in the risk register to mitigate weather-related risks.

Until all permits have been obtained, unexpected permit conditions could require SWD to revise their design and contract documents and could impact the contractor procurement schedule.

Although SWD indicates their schedule provides sufficient time for the contractor to mitigate weather-related risks, upcoming technical discussions with proposing contractors will provide SWD with additional input needed to evaluate their schedule assumptions.

Recommendation

SWD should work to accelerate the contractor selection process and award the construction contract as early as possible in 2014. SWD should also continue to consider early warehouse structure removal as recommended in the risk register.

● = No Current Concerns ▼ = Attention Needed ◆ = Corrective Action Needed

**Scope,
Schedule and
Budget
Update**

As planned when our last oversight report was published on February 5, 2013, the Auditor’s Office has reviewed the baseline document for the Factoria Recycling and Transfer Station (RTS) project. We have also reviewed the risk register, current schedule, and expenditures through April 2013 for the project, as summarized below.

Scope

There have been no changes to the Factoria RTS project scope since the baseline was established in December 2012. SWD does not plan to change the scope in response to a recent decision by five cities to not renew the interlocal agreement (ILA) for solid waste services expiring in 2028.

The baseline scope established by SWD in December 2012 includes constructing an 80,000 square foot solid waste facility, summarized in Exhibit A below. The scope calls for the new facility to be constructed in stages adjacent to the existing Factoria RTS, which will remain open until the new facility is completed. The scope also calls for demolishing two existing warehouse buildings to make room for the new facility and demolishing the current Factoria RTS once the new facility is open. The tipping floor of the new facility will be flat, providing SWD with greater flexibility to handle changes in the volume and types of waste which may need to be processed over time. The new facility will also provide a larger trailer lot, offering a new location for SWD to store and service transfer station equipment as needed. The sloping site requires construction of four retaining walls.

**Exhibit A:
Square Footage
Summary**

Functional Area	Square Feet
Transfer Building Tipping Floor	52,900
Transfer Building Lower Level	17,700
Operations and Maintenance Building	4,600
Household Hazardous Waste Building	4,800
Total	80,000

Source: Factoria Recycling and Transfer Station Replacement Project Intermediate Basis of Design Report, June 2012

The baseline scope is based on the updated waste forecast for 2030 completed by the Solid Waste Division in 2012. The Factoria RTS project is one of four recycling and transfer station replacement projects included in the Solid Waste Transfer and Waste Management Plan approved by the King County Council in December 2007.

SWD reports that 32 cities have approved the new ILA, extending solid waste services agreements with King County to 2040. Five cities (Bellevue, Clyde Hill, Hunts Point, Medina and Yarrow Bay) recently decided not to sign the new ILA. These cities generate approximately 50% of the waste processed at the Factoria RTS, and although waste from these cities is contractually committed to the King County system until 2028, the new facility could be overbuilt if the five cities don't renew by the time the current ILA expires in 2028. The impact of this decision on the Factoria RTS project and the County's transfer station network is under discussion by the Metropolitan Solid Waste Advisory Committee (MSWAC). This may create a scope risk.

SWD does not foresee needing to change the project scope, noting that the new facility is required to meet level of service criteria adopted in consultation with the County's partners for the regional solid waste system and to accommodate solid waste growth expected under the current ILA.

Schedule

SWD's procurement process to select the construction contractor is at least 45 days behind schedule. The current schedule to award the construction contract and perform initial construction work is not aligned with the action plan in the project risk register to mitigate weather-related construction risks.

SWD's current schedule for awarding the construction contract, completing warehouse demolition, and initial soil cuts is later than recommended in their action plan shown in the risk register, reducing the time available for mitigating weather-related risks during the first year of construction. This is discussed further in the "Risks" section on page 6 of this report. SWD's current schedule is consistent with the risk register for the excavation work associated with the Household Hazardous Waste Building planned for 2016, which includes constructing the largest retaining wall on the project.

Exhibit B summarizes the project schedule status. The next major milestone is issuance of the request for proposals (RFP) to select the construction contractor. The baseline date for issuing the RFP was April 29, 2013. SWD's current forecast is June 13, 2013, approximately 45 days late, and is dependent upon the Metropolitan King County Council approving the contractor selection criteria. Project design work is largely complete. SWD plans to finalize it using feedback received from construction contractors

participating in the RFP process, prior to requesting the best and final offer of construction cost, which must be considered as part of the contractor selection.

Exhibit B - Baseline Schedule Update as of 4/24/13 for Remaining Project Milestones

Milestone	Baseline Schedule Date	Current Schedule Forecast Date	Variance Days Ahead or (Behind) Baseline Schedule
Issue RFP for Construction Contractors	4/29/13	6/13/13	(45)
Contract Award	4/21/14	4/28/14	(7)
Commissioning Transfer Station and Operations Buildings	4/18/16	12/29/15	111
Commissioning Household Hazardous Waste Building	7/11/17	3/27/17	106
Project Closeout	8/28/18	5/16/18	104

Source: Factoria Recycling and Transfer Station Replacement Project Schedule Update, April 24, 2013.

Budget **The \$88.8 million baseline budget for the project appears to have adequate contingency for the risks identified to date.**

Approximately \$19.1 million has been spent on the project through April 2013, the current closed month in the County’s financial system. This is summarized in Exhibit C below. The project has approximately \$5.5 million remaining in the design budget, which should be adequate to refine and finalize the design using construction contractor input, and negotiate and award the contract.

Exhibit C – Life-to-Date Baseline Budget Performance through April 30, 2013

Phase	Baseline Budget ¹	Expenditures thru April 2013 ²	% Budget Spent	Budget Balance Remaining
Planning and Design	\$15,612,000	\$10,170,664	65.1%	\$5,441,336
Construction	\$62,538,000	\$848,227	1.4%	\$61,689,773
Closeout	\$2,587,000	\$0	0.0%	\$2,587,000
Acquisition	\$8,083,000	\$8,077,979	99.9%	\$5,021
Total	\$88,820,000	\$19,096,870	21.5%	\$69,723,130

1. As shown in the December 20, 2012 “Factoria Recycling and Transfer Station Baseline Report.”
2. As recorded in the County’s EBS Financial System.

Council has appropriated approximately \$84 million to date for the Factoria RTS. The Executive may need to request supplemental appropriations if SWD is unable to achieve cost savings or effectively manage contingency spending. SWD’s baseline budget includes a 15% contingency for

construction, or approximately \$7 million. The contingency should be sufficient for the project risks identified to date, and SWD should evaluate whether they need to request additional appropriation to reach the full amount of the baseline budget when they know the construction contract amount.

**Opportunities for
Additional
Savings**

SWD has confirmed they do not plan to build the roof-top mounted solar panel system questioned by the Auditor’s Office in our February 5, 2013 oversight report. The division expects to receive LEED Gold certification for the project without the solar panel system. By removing the \$400,000 solar panel system, the lifetime incremental cost to achieve LEED Gold falls within the two-percent limit established in the County’s green building code. The roof planned for the project can accommodate a solar panel system in the future, should technological improvements make the return on investment more attractive.

SWD obtained a review of the design of the administration building by the Facilities Management Division (FMD) as recommended in the February 5, 2013 report. FMD did not identify any cost savings, but suggested that SWD consider revising the design of several areas to increase flexibility for multiple uses, including providing short-term workspace for county employees during emergency events and adding video-conferencing capabilities for meetings.

SWD has also reduced the cost of the aesthetic wall treatment planned for a 35-foot tall retaining wall included in the project and plans to seek additional cost reduction opportunities through discussions with the construction contractors participating in the RFP process.

The Auditor’s Office has not identified any additional opportunities for cost savings since our last report, but we will continue assessing this, including monitoring the feedback SWD receives from construction contractors during the selection process.

**Selection of
Construction
Contractor**

The process for selecting the construction contractor includes up to \$400,000 in honorarium costs. Council’s Budget and Finance Committee is currently considering contractor selection criteria proposed by SWD.

As noted in the “Schedule” section on page 2, the next major milestone is issuance of the RFP to select the construction contractor for the project.

SWD is using competitive negotiation under RCW 36.58.090 for the selection process. This approach is unique to solid waste processing facilities, offering the County flexibility to consider multiple factors, in addition to the bid price, when selecting the construction contractor.

SWD, in consultation with the County's Finance and Business Operations Division (FBOD), decided to include an honorarium for qualified contractors as part of the RFP to help generate contractor interest. The honorarium is also intended to help cover the cost to proposing contractors of providing input which SWD intends to use to refine the project design and construction schedule with the goal of identifying efficiencies and lowering costs. This type of honorarium was also paid to contractors for the County's Bow Lake RTS project. Under the terms of the RFP, the County could be obligated to pay up to \$400,000 in honorarium costs, if all eligible firms proceed through the entire procurement process and no contract is awarded. Each of the four firms selected to propose will receive a \$50,000 payment for submitting a proposal. Another \$50,000 will be paid to each firm who submits a best and final offer but is not awarded a contract to build the project. We encourage SWD to continue to work closely with FBOD to optimize the County's use of the competitive negotiation process.

Risks

The RFP includes contractor selection criteria which must be approved by Council. Council's Budget and Financial Management Committee is currently scheduled to consider the criteria proposed by SWD in June.

SWD's current schedule shows the initial construction work for the project beginning later in the year than recommended in the risk register to mitigate weather-related groundwater risks.

SWD has prepared a detailed project schedule and risk register for the project, which will be updated using feedback from the technical discussions with the proposing construction contractors. The risk register identifies weather-related earthwork time constraints as a high risk. High groundwater levels and anticipated flows from site dewatering contribute to this risk and are addressed in the action plan to mitigate this risk as follows:

- Award the construction contract "...in late winter to allow for initial soil cut to occur when the groundwater table is dropping."
- "Award contract or partial award of phase 1 demolition of [warehouse] buildings to allow completion of demolition in early winter prior to major grading activities."

SWD's current project schedule shows the construction contract award in late April and the warehouse building demolition work completed in mid-summer. This reduces the time available to the contractor to complete weather-sensitive work during the first dry-weather construction season. SWD is looking for opportunities to re-use and recycle the warehouses. They originally planned to confirm their approach by April 30, but discussions are continuing. SWD is also considering removal of the warehouses ahead of awarding the overall project construction contract.

Although we have concerns with the conflict between the risk register and SWD's schedule for the initial phase of construction, we have not identified conflicts with the schedule for earthwork in the later phases of construction. SWD indicates they are confident their current schedule provides sufficient time for the contractor to mitigate the weather-related risks during the first and subsequent years of construction. Upcoming technical discussions with proposing contractors will provide SWD additional input needed to evaluate their schedule assumptions.

SWD is currently 45 days late in issuing the RFP for construction contractors, and will need to allow adequate time for a public hearing and council approval of the construction contract award, as required by state law for the negotiated procurement process. SWD will need to work effectively with Finance and Business Operations Division and council staff to meet, or accelerate where possible, their schedule for awarding the construction contract.

Recommendation

SWD should work to accelerate the contractor selection process and award the construction contract as early as possible in 2014. SWD should also continue to consider early warehouse structure removal as recommended in the risk register.

Until all permits have been approved, unexpected permit conditions could require SWD to revise the project design and schedule.

SWD is working to obtain the final permits for the project in advance of finalizing design work and requesting contractors to provide the best and final offer of construction costs. An important permitting goal was to receive approval from the City of Bellevue to discharge site dewatering necessary for construction into a nearby tributary. SWD reports success in negotiating with Bellevue to allow the discharge of up to 2.63 cubic feet per second into

the tributary from October 1 – April 30. SWD believes this should address most – if not all – of the winter season groundwater discharge needs. Bellevue will allow summer discharge flow rates of up to seven cubic feet per second, which should also be adequate. SWD is also awaiting a permit from Department of Ecology, and when received will incorporate final permit conditions, as necessary, in the design and contract documents for the project.

**Progress on
Items From
Previous Report**

Since our last report dated February 5, 2013, SWD has made progress in a number of areas previously identified as important project elements. They have:

- Obtained review from FMD regarding design space for operations and maintenance areas and confirmed compliance with county space standards.
- Negotiated the Project Labor Agreement on schedule.
- Selected the contractor short list April 8, on schedule.
- Submitted a legislative request to approve contractor selection criteria on May 6, 2013.
- Addressed Auditor’s Office concerns on the LEED lifecycle cost analysis for green building features.

**Plans for
Continuing
Oversight**

The Auditor’s Office will continue monitoring the Factoria RTS project, issuing reports at significant milestones or project developments relevant to upcoming County Council policy decisions.

We appreciate the collaborative efforts of SWD and council policy staff contributing to effective project oversight consistent with council intent.