



**Board of Directors**  
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## Memorandum

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**To: HONORABLE BOARD OF DIRECTORS**

**From: Suzanne R. Coffey, P.E., Chief Planning Officer**

**CC: Sue McCormick, Chief Executive Officer**

**Date: May 6, 2019**

**RE: Response to Board Members' Questions Regarding 2019-154, Contract No. GLWA CS-272, "Capital Program Delivery"**

At its April 24, 2019 meeting, the Board of Directors ("Board") considered proposed resolution 2019-154, Contract No. GLWA CS-272, "Capital Program Delivery." Following a discussion of this item, further consideration was postponed until the Board's May 8, 2019 meeting with the understanding that staff would supply written responses to the Board's questions posed during the April 24, 2019 meeting, as well as any additional questions received on or before May 1, 2019. As no additional questions were received following the April 24, 2019 meeting, the following are staff's responses to the Board's questions.

**1. Concern regarding the use of subcontractors who are not located within the State of Michigan and who do not otherwise do business within the State. Staff was requested to meet with the Contractor and determine if the use of such subcontractors was essential to performing the Contract.**

The Contractor has advised GLWA that it does not intend to use subcontractors who are not located within the State of Michigan and who do not otherwise do business within the State to perform Service on GLWA CS-272.

**2. The Board requested further explanation of the basis of the Contractor's "mark-up" for this engagement and how that mark-up relates to industry standards and other responders for this solicitation.**

The Contractor's multiplier represents the actual revenue generated expressed as a percentage (or multiple) of total labor. The information below summarizes mark-ups from recent (2019) GLWA contracts and industry standard:

## SUMMARY OF MULTIPLIERS FOR RECENT GLWA CONTRACTS

### CS-272 PROGRAM MANAGEMENT BIDS

Vendor	Contract Name	Contract Length	Multiplier	Dollar Value
AECOM (as negotiated)	CIP Delivery	4 years	2.78	\$ 54,934,034.00
Stantec (as bid)	CIP Delivery	4 years	2.92	\$ 73,874,340.00

### RECENT CONTRACTS

Vendor	Contract Name	Contract Length	Multiplier	Dollar Value	Executed
AECOM	CIP Delivery	4 years	2.78	\$ 54,934,034.00	N/A
PMA	CIP Implementation Assistance	4 years	2.74	\$ 11,300,000.00	2017
Hazen Sawyer	1802543 Rehab of Ferric Chloride Feed System	2 years	3.10	\$ 2,141,270.00	2019
Wade Trim	CS-102 Prof. Eng. Serv. WWRF Pump Station 1	5 years	3.09	\$ 4,986,249.00	2019
Brown & Caldwell	1802448 14-mile Transmission main	3.75 years	3.02	\$ 6,819,890.00	2019

From the table above:

Average GLWA Contract Multiplier = 2.97, Lowest GLWA Contract Multiplier = 2.74, Highest GLWA Contract Multiplier = 3.10

### Industry Benchmark

The 38th Annual (2017) Deltek Clarity Architecture & Engineering Industry Report indicates an industry average multiplier of 3.02. This report is one of the oldest and most comprehensive resource for A&E leaders, this study includes responses from more than 550 participants in the U.S. and Canada.

### **3. The Board expressed concern over the total Dollar value for the proposed engagement and asked staff to consider whether further reductions could be made?**

The total dollar value proposed for this contract has been reduced from a cost not to exceed \$58,357,537.00 to a cost not to exceed \$54,934,034.00. The reduction in the total contract price is attributable to a reduction in the allocated costs for the Contract's "Task 7 – Engineering and Construction Staff Augmentation." In making these reductions to Task 7, staff and the Contractor believe that the majority of the savings will be realized in the final year of the Contract as GLWA reduces its reliance on augmented staffing.

Thank you for your consideration of these responses. We look forward to discussing proposed Contract No. GLWA CS-272, "Capital Program Delivery" with you during your May 8, 2019 meeting.