



Legislation Text

File #: 2019-106, Version: 1

Proposed Change Order No. 1

GLWA-CON-270

Isolation Gate Valves for Line Pumps for West Service Center Pumping Station

CIP#/BCE Score: 132003/70.8

Agenda of: March 27, 2019

Item No.: **2019-106**

Amount:	Original Contract	\$1,447,774.00
	Proposed Change Order 1	141,000.00
	Total Revised Contract	\$1,588,744.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: March 6, 2019

RE: Proposed Change Order No. 1
Contract No. GLWA-CON-270
Isolation Gate Valves for Line Pumps for West Service Center Pumping Station
Vendor: Weiss Construction Co., LLC

MOTION

Upon recommendation of Cheryl Porter, Chief Operating Officer - Water and Field Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Chief Executive Officer (CEO) to **enter into Contract No. GLWA-CON-270 Change Order No. 1 "Isolation Gate Valves for Line Pumps for West Service Center Pumping Station" with Weiss Construction Co., LLC, at an increased amount of \$141,000.00 for a total cost not to exceed \$1,588,744.00 for an increased duration of 340 days for a total contract length of 620 days;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Contract No. GLWA-CON-270 is a construction contract involving installation of new isolation valves both up and down stream of the six line pumping units at the West Service Center Booster Station. The contractor providing construction services under GLWA-CON-270 is Weiss Construction Co., LLC. GLWA-CON-270 started on December 3, 2018 and is currently set to expire (final completion date) on September 8, 2019. The bid submitted by Weiss Construction Co., LLC was based on the use of valves manufactured by Blackhall Valves USA. Blackhall Valves USA is one of the named manufacturers in the specifications of GLWA-CON-270. The quote from Blackhall Valves USA received by Weiss Construction Co., LLC on July 25, 2018 lists a unit price of \$47,083.34 for each valve at a total cost of \$565,000 for all the valves.

On November 2, 2018, the former Blackhall Valves USA sales representative notified GLWA that Blackhall Valves USA had discontinued manufacturing and engineering support in the United States. Accordingly, Blackhall Valves USA rescinded their quote to the Contractor, Weiss Construction Co., LLC, and will not be providing valves in the United States. In response, Weiss Construction Co., LLC then solicited a new quote from a different valve manufacturer, Kennedy Valve. Kennedy Valve is also a named manufacturer in the specifications of Contract No. GLWA-CON-270. Kennedy Valve agreed to supply the valves for \$564,000, or \$47,000 for each valve.

On September 18, 2018, the Office of the United States Trade Representative released a list of Chinese imports that would be subjected to additional tariffs as part of the United States' ongoing trade relations with China. On September 24, 2018, the tariffs on Chinese imports were initiated at an amount of 10% with the stipulation that if China and the United States did not come to a resolution by January 1, 2019, the tariffs would increase to 25%. On December 1, 2018, the United States Presidential administration announced the 25% tariff increase had been paused for 90 days. As of this writing, this 25% tariff increase is still on hold pending an agreement between the United States and China on intellectual property. The valves manufactured by Kennedy Valve are manufactured in China and are subject to tariffs when the valves are imported to the United States. The estimated lead time to deliver the valves is 38 weeks from the approval of the gate valve submittal, which was approved on March 5, 2019. Therefore, the gates will be delivered to the United States around the end of November 2019. However, when the trade negotiations between the United States and China conclude, GLWA will only compensate the Contractor for the actual amount of any final imposed tariff that may be in effect when the gates valves are delivered to the United States.

At this time, GLWA staff is assuming that the imposed tariff will be 25% for the purpose of this proposed change order. Therefore, this proposed change order requests that an additional \$141,000 be added to the contract amount. If the tariff is eliminated or reduced as a result of United States-China negotiations, then a sequent change order will be processed to adjust the contract amount accordingly. GLWA will pay the Contractor only for tariffs that are actually incurred at the time of the delivery of the valves.

The contract time needs to be extended because the gate valves will not be delivered to the site until the end of November 2019, and the current contract end date is September 8, 2019. Therefore, this proposed change order will extend the contract times for substantial and final completion by 310 and 340 days, respectively to allow sufficient time to complete the entire work and closeout the contract after the valves are delivered. The new dates for substantial and final completion would be May 15, 2020 and August 13, 2020, respectively as a result of this change order.

JUSTIFICATION

The discontinuation of Blackhall Valves USA manufacturing and engineering support to the United States was unforeseen. This valve manufacturer was named as an acceptable manufacturer in the contract and the contractor based its bid on this manufacturer. The fact that Blackhall Valves USA will not provide valves in the United States anymore is not in the contractor's control, which has given rise to the need for the contractor to seek valves from China. The use of Kennedy Valves requires additional time to approve the Kennedy Valve submittal. Additionally, the Kennedy Valve delivery

lead times are longer than the Blackhall Valves USA delivery lead times. Tariffs arising from ongoing trade relations between the United States and China were also unforeseen.

PROJECT MANAGEMENT STATUS

Original Contract Time	280 Days
Proposed Change Order No. 1	340 Days
New Contract Time	620 Days

PROJECT ESTIMATE

Original Contract Price	\$ 1,447,774.00
Proposed Change Order No. 1	141,000.00
New Contract Price	\$ 1,588,744.00

FINANCIAL PLAN IMPACT

Summary: Sufficient funds are provided in the financial plan for this project.

Funding Source: Water Construction Bond

Cost Center: Water Engineering

Expense Type: Construction (5519-882111.000-616900-132003)

Estimated Cost by Year and Related Estimating Variance: See table below.

Based on 2020-2024 CIP Preliminary Draft# 2:

Fiscal Year

FY 2019 Budget	\$ 1,056,000.00
FY 2020 Budget	<u>392,000.00</u>
Financial Plan Estimate	\$ 1,448,000.00
Contract Value Inclusive of Proposed Change Order No. 1	<u>1,588,744.00</u>
Negative Estimating Variance	\$ (140,744.00)

Award of this change order to the vendor creates a negative estimating variance of \$140,744.00 to be funded by an amendment to Capital Reserves.

COMMITTEE REVIEW

This item was presented to the Operations and Resources Committee at its meeting on March 13, 2019. The Operations and Resources Committee unanimously recommended that the GLWA Board adopt the resolution as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.