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Department of Utilities
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TO: Chairperson Vered Meltzer and Members of the Utilities Committee

FROM: Chris Stempa, Utilities Deputy Director

DATE: March 17, 2023

RE: *Approve: Sole Source Engineering Services Contract to McMahon as part of the 2023 Digester Piping and Heat Exchanger Replacement Project in the amount of \$85,300 with a 15% contingency of \$12,795 for a Project Total not to exceed \$98,095*

BACKGROUND:

On February 16, 2022, Common Council awarded the "AWWTP Blended Sludge and HEX Replacement Project" engineering services contract to McMahon. Within a \$450,000 budget, the project was structured to address piping erosion and corrosion that had compromised the integrity of preliminary heat exchanger (HEX), sludge recirculation piping, and associated isolation valves within the MK-Tunnel corridor. The project also included numerous architectural repairs along with the recladding of the Raw Sludge Blend Tank and the replacement of Grit Trap Vortex System drives (independent 2022 CIP totaling \$258,750).

In September 2022, two bids were received as part of the public bid process. The least cost bid exceeded the available budget by nearly \$200,000. Contributing factors for higher bid costs were the result of lingering supply chain issues, sustained high demand for various products and services, elevated costs for construction materials, and higher costs for labor. After conferring with McMahon, the Utilities Department recommend rejecting the bid with the intent of deferring the work as part of an amended 2023 CIP, "Digester Piping and Heat Exchanger Replacement Project".

The resulting 2023 Digester Piping and Heat Exchanger Replacement Project includes a similar scope of work as the 2022 Blended Sludge and HEX Replacement Project but without the architectural improvements. Architectural elements were removed to help safeguard funding for higher priority replacement work based on the 2022 bid results while also adding additional critical scope items including replacement of the primary HEXs and sludge recirculation piping. Those additional items gave way to the 2023 CIP project name. These items were added after experiencing failures in multiple pipe spool pieces that required immediate replacement. Further inspection of this piping network revealed similar erosion and corrosion as the piping in MK-Tunnel. It should be noted that there is not complete redundancy for the primary HEXs in the lower level of the anaerobic digester complex. If a catastrophic failure were to occur with one of the heat

exchangers or associated recirculation piping the entire process would need to be removed from service. The consequence of a shutdown would be the loss of waste and revenue from the Hauled Waste Program (greater than \$2 million dollars annually). This project scope will also include the balance of replacement of remaining ductile iron sludge pipe in MK-Tunnel where similar impacts from corrosion have occurred. The new specified replacement pipe will have a corrosion resistant interior coating like that utilized in another recent pipe replacement project.

PROPOSAL

The McMahon contract as part of the 2022 AWWTP Blended Sludge and HEX Replacement Project was \$30,100 which included all the previously described scope elements. The proposal as part of the 2023 Digester Piping and Heat Exchanger Replacement Project would reflect an increase of \$85,300 or a total of \$115,400. Available contract contingency is only \$4,000 and would not cover the amount of the proposal as part of contract amendment unless a budget transfer was approved.

JUSTIFICATION

The construction budget for the 2023 Digester Piping and Heat Exchanger Replacement Project is \$3,801,195. McMahon's proposal is only 2% of the overall construction budget. Typically, 15% or more of estimated construction costs is factored for engineering services depending on the type of work or project to occur. McMahon has completed much of the engineering as part of the original 2022 AWWTP Blended Sludge and HEX Replacement Project which would be utilized again as part of the 2023 Digester Piping and Heat Exchanger Replacement Project. Contracting with another firm as part of request for proposal process, would not yield cost savings. This is because the risks associated with relying on work that was not their own. The proposal McMahon provided outlines the change in scope from the current service contract as part of the 2022 AWWTP Blended Sludge and HEX Replacement Project. They have provided quality engineering services as part that project and have a history of providing similar services at the AWWTP on other projects. The proposal reflects the value the city would be receiving for the reasons previously described. As such, I recommend that McMahon be considered for a sole source contract as part of the 2023 Digester Piping and Heat Exchanger Replacement Project.

RECOMMENDATION

Approval of a sole source Engineering contract to McMahon as part of Phase II Belt Filter Press Equipment Upgraders Project in the amount of \$162,000 with a 15% contingency of \$24,300 for a Project Total not to exceed \$186,300

If you have any questions or require additional information regarding this project, please contact Chris Stempa at 920-832-5945.



SOLE SOURCE REQUEST

The undersigned certifies that the commodity/service shown below qualifies as a sole source request and meets one or more of the following requirements. The department has demonstrated, and the Purchasing Manager concurs that only one source exists, the price is equitable, and/or noncompetitive negotiation is in the best interests of the City.

- Unique, proprietary, or one-of-a-kind:** Specific commodity/service is required and available from only one source, giving the City a superior and necessary benefit that cannot be obtained from other sources.
- Inadequate competition:** Purchasing solicitation (bid, proposal, or quote) did not result in any qualified vendor responses and competition is determined to be inadequate.
- Health or Safety Concern:** When a health or safety concern exists that is *not* an immediate threat but needs to be addressed in a period that does not allow for formal competitive procurement procedures.
- Continuity of design:** Consistency with current commodity or service.
- Emergency procurement:** A risk of human suffering or substantial damage to real or personal property exists requiring immediate attention.
- Cooperative purchase:** Purchase from another governmental unit contract or state approved purchasing association.
- Other:** Description provided below.

McMahon completed much of the engineering in 2022, a similar scope of work to be included in the 2023 Digester Piping and Heat Exchanger Replacement Project. Another RFP process would not yield a cost less than what McMahon has provided.

PROPOSED DETAILS
Requesting dept: Utilities
Product/service: Engineering services - 2023 Digester Piping & Heat Exchanger Replacement Project
Vendor name: McMahon
Total cost: \$85,300

Justification and price quotation provided by the department, for the items to be considered and approved as a sole source purchase attached for review.


 Purchasing Manager

3/17/23
 Date