

0150-12781-0000

**T R A N S M I T T A L**

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE  11/18/2024	COUNCIL FILE
FROM The Mayor	COUNCIL DISTRICT 4	

**PROPOSED AGREEMENT NO. 47819 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND JACOBS PROJECT MANAGEMENT CO. FOR OWNER'S AGENT SERVICES FOR THE CONSTRUCTION OF THE WATER QUALITY LABORATORY PROJECT**

Transmitted for further processing and Council consideration.  
 See the City Administrative Officer report attached.



MAYOR

(Carolyn Webb de Macias for)

Attachment  
 MWS:PJH:JVW:IR:JFH:10250082t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: November 7, 2024

CAO File No.: 0150-12781-0000

Council File No.:

Council District: 4

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated August 22, 2024; referred by the Mayor for report on August 28, 2024

Subject: **PROPOSED AGREEMENT NO. 47819 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND JACOBS PROJECT MANAGEMENT CO. FOR OWNER'S AGENT SERVICES FOR THE CONSTRUCTION OF THE WATER QUALITY LABORATORY PROJECT**

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### RECOMMENDATION

That the Mayor:

1. Approve the proposed Los Angeles Department of Water and Power (LADWP) Resolution authorizing the execution of Agreement No. 47819 with Jacobs Project Management Co. for Owner's Agent Services for the Water Quality Laboratory Project in an amount not to exceed \$8.25 million for a term of six years commencing upon execution;
2. Authorize, upon proper certification, the Chief Accounting Employee to draw demands on the Water Revenue Fund, in accordance with the terms of these agreements; and
3. Return the proposed Agreement and Resolution to LADWP for further processing, including Council consideration.

### SUMMARY

The Department of Water and Power (LADWP, Department) proposes to design and construct the Water Quality Laboratory Project (Project) at a location within the City adjacent to the Tom LaBonge Headworks Complex on Forest Lawn Drive in Council District 4. The cost of the proposed 100,000 square foot, two-story structure that will replace the existing laboratory is approximately \$189 million, including the cost of an adjacent parking structure, infrastructure, landscaping, and perimeter security.

The existing laboratory is operated in an older two-story building located in Pasadena, constructed in the late 1960s, operates 24-hours-a-day seven-days-a-week and continuously experiences operational, maintenance, and employee safety issues due to its age. In addition, increased regulatory requirements and operational demands on the water system have significantly expanded the need for additional water quality testing services provided by the laboratory, including the regular monitoring of water quality at 300 locations as a result of the completion new projects.

To address these concerns, the Department proposes the design and construction of a new water quality laboratory. The proposed new structure is three times the size of the existing laboratory and will provide space for up to 200 employees versus the 70–80 employees at the current location.

The LADWP proposes the use of the Design-Build method for construction of the new laboratory to facilitate its timely completion that requires and has received Council approval (Ordinance 185801). Design-Build is a project delivery method that involves a single contract between the owner and the builder for both design and construction of a project.

As the first step in the construction process, the LADWP proposes to employ an Owner's Agent with the specialized knowledge required for the Design-Build project delivery method that the Department does not possess. Request for Proposals No. 90693R1 resulted in LADWP's selection of Jacobs Project Management Co. (Jacobs) to act as an Owner's Agent for the Project at a cost of \$7.5 million, over a six-year term.

While the Department report for Board and Council approval of an \$8.25 million not-to-exceed amount for the Agreement includes a 10 percent or \$750,000 owner's contingency, it must be noted that the not-to-exceed compensation that may be paid to the Consultant under the proposed Agreement is limited to \$7.5 million and excludes the LADWP's owner's contingency amount of \$750,000. The owner's contingency is not part of the Agreement, is under the sole control of the LADWP and is set aside to be utilized, as needed, to pay for any unforeseen costs, risks, events or changes in scope that may affect the Agreement's cost and at the sole discretion of the LADWP. The selection and approval of the Design-Build contractor to construct the Project will occur at a later date.

The City Attorney has reviewed and approved the proposed Resolution and Agreement with Jacobs as to form. In accordance with Charter Section 373 and Administrative Code Section 10.5(e), the proposed Agreement requires City Council approval because the term is greater than five years. This Office has reviewed the request and recommends approval.

## **BACKGROUND**

The LADWP owns and operates a Water Quality Laboratory located at 555 E. Walnut Street, Pasadena, CA 91101. The laboratory is operated in an older two-story building constructed in the late 1960s where operation of the lab began in 2003. The approximately 31,000 square foot laboratory houses between 70 and 80 Department employees and continuously experiences operational and maintenance issues due to its age. In addition, increased regulatory requirements and operational demands on the water system have significantly expanded the need for water quality testing services provided by the laboratory. For example, the Department will be required to monitor 300 sampling locations as new projects requiring regular water quality testing are completed and placed in service.

Increased workload and related staffing requirements have resulted in space constraints that the Department has addressed at the current laboratory located in Pasadena by multiple building retrofits to support continuous, 24-hour-a-day, seven-days-a-week operation. The end result of these retrofits has been diminished employee work space and created ongoing safety concerns.

To address these concerns, the Department proposes to design and construct a new state-of-the-art water quality laboratory at a more central location within the City adjacent to the Tom LaBonge Headworks Complex on Forest Lawn Drive in Council District 4. The cost of the new 100,000 square foot, two story structure will be approximately \$189 million, including the cost of an adjacent parking structure, infrastructure, landscaping, and perimeter security.

*Design-Build Method of Construction* – The LADWP proposes the use of the Design-Build method of construction for the new laboratory that requires and has received Council approval (Ordinance 185801). Design-Build is a construction delivery method that involves a single contract between the owner and the builder. Unlike traditional construction contracts which require two entities—a designer and a contractor—a Design Build contract combines these two activities. This delivery method is used worldwide because it is intended to eliminate the complexity of multiple contracts and the time-consuming processes inherent in the traditional project delivery method.

*Proposed Use of Owner's Agent for Design-Build* – As the first step in the process, the LADWP proposes to employ an Owner's Agent with the specialized knowledge required for the Design-Build method of designing and constructing the new laboratory to represent the Department. The Owner's Agent will provide a full range of professional engineering and consulting services to assist in the planning, design, construction document review, alternate delivery evaluation and oversight of the Project. Los Angeles certified deputy inspection services, commissioning, permitting, close out, and operations support services for the Project will also be provided.

*Competitive Selection of an Owner's Agent* – A Request for Proposals (RFP No. 90693) was advertised for an Owner's Agent for the Project by the LADWP on September 8, 2022; however, only one proposal was received. The Department then surveyed the vendors that expressed interest but did not submit a proposal. Based on the feedback from that survey, the RFP's minimum requirements were revised and the RFP reissued to facilitate submission of additional proposals (RFP No. 90693R1). Two proposals were received and determined to be responsive with Jacobs being identified as the most responsive proposal to perform the Owner's Agent services for the Project utilizing proposed Agreement No. 47819.

The Project is targeted for completion in the summer of 2030. Since it is anticipated that the Owner's Agent may provide guidance to the LADWP during startup, operation, and maintenance of the Project, an agreement term of six years is proposed. An owner's contingency of 10 percent is included in the proposed LADWP request to be used at the sole discretion of LADWP in the event the Project encounters unforeseen conditions or changes during various phases of the Project. The selection and approval of the Design-Build contractor to construct the Project will occur at a later date.

*Cost, Financing and Termination of the Proposed Owner's Agent Agreement* – The Proposed Agreement is an as-needed contract for a term of six years at a not-to-exceed amount of \$7.5 million. It is noted that the \$8.25 million Department request for Board and Council approval of the Agreement includes a 10 percent or \$750,000 to be set aside for owner's or LADWP contingency. This amount is not included in the \$7.5 million not-to-exceed compensation that may be paid to the Consultant under the proposed Agreement. The owner's contingency is under the sole control of the LADWP and will be utilized, as needed, under the Agreement Article X concerning Amendments and Administrative Changes to the Agreement to pay for any unforeseen costs, risks, events or

changes in scope that may affect the Agreement's cost. The LADWP may terminate the Agreement, or any task order upon 30 days written notice. The cost of the Agreement has been budgeted by the LADWP and will be paid from the Water Revenue Fund.

*Alternatives Considered* – The services to be performed under this Agreement require specialized knowledge in the design and construction of laboratory facilities. The LADWP personnel do not currently possess this knowledge and hiring in-house expertise is not achievable in the time frame required to design and construct the Project. Training Department staff is not feasible since it requires multiple, advanced, university-level courses, and several years of experience designing and operating various types of laboratory facilities. Furthermore, the proposed Project is the only known requirement for a laboratory facility since the Department has no plans to build another.

As indicated herein, there have been continuing maintenance, operational, and employee safety concerns at the existing laboratory, as well as recent increases in mandatory water quality testing requirements imposed by state and federal regulatory agencies. The proposed laboratory will provide three times the work area per employee (900 sq. ft. versus 300 sq. ft.) and will house up to 200 Department employees to address these issues and therefore warrants proceeding with the expeditious development of the proposed new laboratory without delay.

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – The LADWP has determined, subject to Board of Water and Power Commissioners (Board) approval, that the proposed Agreement with Jacobs is exempt from CEQA pursuant to Guidelines 15060(c)(2). In accordance with that section, an activity is not subject to CEQA if it will not result in direct or reasonably foreseeable indirect physical change in the environment. The approval of this Agreement with Jacobs for Owner's Agent services associated with the Project will not result in any physical changes in the environment; therefore, the Agreement is not subject to CEQA.

Although the Owner's Agent Contract is not subject to CEQA, the proposed Project is subject to CEQA pursuant to Public Resources Code Section 21000, et seq. As of the preparation of the report, the Board has not made final determinations regarding the proposed Project, and the selection of the final action will be subject to adjustments necessary to comply with state and federal law, including CEQA.

*Charter Section 1022 Determination* – The Department has determined that it is more feasible to have the work performed by Jacobs than by City employees since the required specialized knowledge concerning the design and construction of laboratory facilities does not currently exist within the LADWP. In addition, the use of an Owner's Agent contractor will provide an independent review of the specialized Design-Build contractor's work.

*Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) Participation* – The Department has established an overall SBE/DVBE participation commitment of 21 percent over the term of the contract and will track the amounts paid to each subconsultant.

The City Attorney has reviewed and approved the proposed Resolution and Agreement with Jacobs as to form. In accordance with Charter Section 373 and Administrative Code Section 10.5(e), the

proposed Agreement requires City Council approval because the term is greater than five years. This Office has reviewed the request and recommends approval.

## **FISCAL IMPACT STATEMENT**

There is no impact on the General Fund. The proposed Owner's Agent Agreement No. 47819 between the Department of Water and Power and Jacobs Project Management Co. for the Water Quality Laboratory Project includes an established not-to-exceed limit of \$7.5 million over the Agreement's six-year term. An additional ten percent owner's contingency amount of \$750,000 is included increasing the LADWP requested and total approved funding amount associated with the Agreement to \$8.25 million. The required funding has been budgeted by the LADWP and will be paid from the Water Revenue Fund. The proposed recommendations comply with LADWP Financial Policies.

Attachments – LADWP August 22, 2024 Report, Resolution, and proposed Agreement No. 47819 with Jacobs Project Management Co.

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