

Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Eric Strong, City Manager
Date: August 18th, 2015
Subject: Resolution finding the Construction Manager at Risk to provide the best value to the City and delegating authority to oversee the CMAR process to the City Manager

City Council Action Requested:

Resolution finding the Construction Manager at Risk to provide the best value to the City and delegating authority to oversee the CMAR process to the City Manager

Background Information:

There are generally two different methods that cities can select when deciding how to select a contractor for a construction project in Texas. The two methods are the Design-Bid-Build Process or the Construction Manager at Risk Process. These processes are outlined below.

Design-Bid-Build Process (DBB):

Design documents are completed to 100%, and are issued to contractors responding to advertisement for bids. The bids are analyzed, the project is awarded to the lowest responsive bidder, and construction starts shortly thereafter.

Construction Manager at Risk Process (CMAR):

Qualifications are received from interested firms responding to an advertisement, a short list of five or less firms is asked for overhead and fee proposals and interviewed. The firm with the best combination of qualifications and fee is selected to join the team early in the design process, and provided preconstruction services during design.

The selected firm then becomes a procurement agent for the City, advertising for subcontractor bids, providing the City with a bid analysis and award recommendation by trade, and entering into subcontracts with the approved firms. Some trades with long

lead items (e.g. mechanical, electrical, elevator, etc.), or in very high demand (e.g. earthwork, concrete, etc.) may be bid months before construction actually starts.

The council needs to determine which process provides the best value for the City. It is staff's recommendation that the CMAR process provides the best value for the following reasons:

1. Approximately 90% of the construction cost of any project (including this one) is paid to subcontractors. In both the CMAR and the DBB process, a very similar subcontractor pool will be solicited for bids by the general contractor team(s), with almost identical pricing.

In fact, it is possible that the CMAR process may deliver even better pricing from better subcontractors in the current bidding climate (see Item # 3 below).

2. The remaining 10% of the project cost is the general contractor's on site overhead, home office overhead, and profit. In the CMAR process we will receive quotes for these fees and costs in a competitive environment, but unlike the DBB process will have the luxury of considering the experience, financial stability, and references of each candidate before making this important selection.

3. Having the CMAR's construction team available during design is invaluable. The constructability, value engineering and problem prevention skills brought to bear benefit the project's quality, schedule, and budget when it is easy to make changes. The DBB misses this opportunity completely.

4. Subcontractors are extraordinarily busy in the Dallas-Fort Worth area, and the best, least expensive firms have are booked to capacity for at least 90 days, and in many cases over six months out. The CMAR process allows earlier selection of these subcontractors, rather than the smaller pool of subcontractors (usually the more expensive, least desirable firms) that can book work on short notice, as is required by the DBB process.

5. The integration of the CMAR into the team earlier than a DBB firm reduces litigation. The selected DBB firm is almost always the low bidder, more likely to have made estimating errors during the pressure of “bid day”, and prone to being adversarial during construction.

Board/Citizen Input:

N/A

Financial Impact:

N/A

Staff Contacts:

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Attachments:

Resolution determining the CMAR process provides the best value to the City

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF RICHLAND HILLS, TEXAS, AUTHORIZING THE USE OF THE CONSTRUCTION MANAGER-AT-RISK DELIVERY METHOD FOR THE CONSTRUCTION OF A MULTI-PURPOSE ACTIVITY CENTER, AUTHORIZING THE CITY MANAGER TO TAKE ALL NECESSARY ACTION, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council desires to construct a multi-purpose activity center for the health, safety, and welfare of the citizens of the City of Richland Hills, Texas; and

WHEREAS, the City Council desires to utilize the construction manager-at-risk delivery method for the construction of the multi-purpose activity center as provided by Chapter 2269, Texas Government Code; and

WHEREAS, the City Council finds that the construction manager-at-risk delivery method provides the best value for the City of Richland Hills, Texas; and

WHEREAS, as authorized by Texas Government Code Sec. 2269.053, the City Council desires to delegate its authority under Chapter 2269 to the City Manager and desires to designate the City Manager as its designated representative for all purposes related to this project.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RICHLAND HILLS, TEXAS, THAT:

SECTION 1.

The City Council hereby authorizes the use of the construction manager-at-risk delivery method for the construction of a multi-purpose activity center in the City of Richland Hills, Texas, and finds that said delivery method provides the best value for the City.

SECTION 2.

The City Council hereby delegates its authority under Texas Government Code Chapter 2269 to the City Manager, designates the City Manager as its designated representative for all purposes related to this project, and authorizes the City Manager to take all actions necessary to accomplish the purposes and actions authorized herein.

SECTION 3.

This Resolution shall be effective upon its adoption.

IT IS SO RESOLVED BY THE CITY COUNCIL OF THE CITY OF RICHLAND HILLS, TEXAS ON THE ___ DAY OF _____, 2015.

Mayor

ATTEST:

City Secretary