



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 14-0781, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 7, 2014

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authority to increase purchase order and execute the eighth amendment to Contract 73-161-EH McCook Reservoir Excavation Agreement to Vulcan Materials Company, L.P., in an amount of \$27,000,000.00, from an amount of \$66,710,394.23, to an amount not to exceed \$93,710,394.23, Account 401-50000-645620, Purchase Order 5000176

Dear Sir:

On October 1, 2003, the District executed an Agreement with Vulcan Construction Materials, L.P. (Vulcan) to mine a portion of the Lawndale Avenue Solids Management Area (LASMA) for the McCook Reservoir, Contract 73-161-EH. The terms of the Agreement provide for reimbursement of "Hard Costs" associated with the mining operation. A purchase order was established to reimburse Vulcan for the hard cost items.

As of July 11, 2014, the attached list of change orders has been approved. The effect of these change orders resulted in an increase to the Purchase Order in an amount of \$21,670,394.23 from the original amount of \$45,040,000.00. The current Purchase Order value is \$66,710,394.23. The prior approved change orders reflect a 48.11% increase to the original value.

One aspect of the Agreement (Section 3.5) lays out the target excavation rate and anticipated completion dates for both Stage 1 and Stage 2 of the McCook Reservoir. Section 3.5 states that Vulcan anticipates excavating an average of seven million (7,000,000) tons per year from the LASMA site and that Vulcan will use commercially reasonable efforts to complete Stage 1 on a date that is seven (7) years from the Stage 1 excavation commencement date. Vulcan has recently determined that the lowest 80 feet of stone that remains to be mined in Stage 1 is of poorer quality and can only be used to produce approximately half of its products.

In order to maintain a schedule which will meet the consent decree mining deadline of December 31, 2016, Vulcan must mine at a rate that exceeds market demand for the remaining Stage 1 stone. Mining in this manner will result in Vulcan disposing of the excess supply material on their property during the next two years of mining. Vulcan will not attempt to reclaim the material for use or sale until completion of the reservoir excavation, at which time the material may or may not have any value as the quality of the pile degrades over time. As a result of the unknown future value of the material, the District agrees to reimburse Vulcan, as a hard cost, for the cost of removing the material off District property and disposing of it in their quarry on a per ton unit price basis. These costs include drilling, blasting, mucking, hauling, primary crushing, electrical and maintenance costs for the conveyance system, as well as any labor differential costs and additional capital costs required for diversion from the normal inventory piles as disposal. Though the final quantity of material requiring disposal is unknown, it is currently estimated that between 1.5 million tons and 4.5 million tons may require disposal, for a total estimated cost of up to \$27,000,000.00. The language of the amendment is currently being developed and will address the following issues: completion date for Stage 1 excavation, reimbursement as Hard Costs, and tracking of costs.

The change order is in compliance with the Illinois Criminal Code since the change is due to circumstances not reasonably foreseeable at the time the contract was signed, and is in the best interest of the District.

It is hereby requested that the Board of Commissioners authorize the Chairman of the Committee on Finance, the Clerk, the Director of Procurement and Materials Management, and the Executive Director to execute an Eighth Amendment to the McCook Reservoir Excavation Agreement and increase the purchase order in an amount of \$27,000,000.00 (40.47% of the current value), from an amount of \$66,710,394.23, to an amount not to exceed \$93,710,394.23, after the same is approved by the Director of Engineering as to the technical matters and by the General Counsel as to form and legality.

Funds are available in Account 401-50000-645620.

Requested, Catherine A. O'Connor, Director of Engineering, WSS:KMF

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for August 7, 2014

Attachment