



King County

Metropolitan King County Council

King County Auditor's Office

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MANAGEMENT LETTER

DATE: April 7, 2010

TO: Metropolitan King County Council

FROM: Cheryle Broom, ^{CB} County Auditor

SUBJECT: Brightwater Oversight Monitoring Consultant Report on the Proposed Jay Dee Coluccio (JDC) Contract for BT-3 Tunnel Mining Completion

The Brightwater Oversight Monitoring Consultant (OMC), R. W. Beck, has reviewed the proposed Jay Dee & Coluccio (JDC) contract for completing the BT-3 tunnel and offers summary comments and recommendations below. In addition, we have attached questions that members may wish to ask the OMC or Wastewater Treatment Division (WTD) regarding management of the proposed JDC contract and related tunnel mining operations.

Summary Comments:

Previous staff reports have covered many aspects of this contract. We believe that this is a high risk tunneling project. Under the proposed JDC contract, King County will take on virtually all of the cost and schedule risk. To illustrate, the contract contains the following sentence:

The Contractor does not guarantee or represent a maximum Cost or Time to complete all or any part of the Work, and the Contractor does not guarantee or represent that it can be completed.

The construction cost reported by WTD (including incentives, past change orders, and anticipated future change orders) is a reasonable projection if mining goes well. All parties want the mining to go well, but council should not be surprised if mining takes longer or costs more.

We are not in a position to fully compare the costs of the BT-3 work under the Vinci/Parsons/RCI/Frontier-Kemper Joint Venture (VPFK) tunneling contract with the proposed JDC contract because this comparison depends on the county's future ability to successfully recover any disputed costs.

Recommendations:

Going forward, the OMC will be monitoring the following items to provide comment to the council on the project's progress:

1. Written staffing plan to be provided by WTD, including backfill of any resources that are currently covering any other Brightwater project duties. OMC plans to schedule an oversight meeting within two weeks to view WTD's progress on development of this plan.
2. Documentation of the extent of on-site assistance provided by the earth pressure balance tunnel boring machine manufacturer and the manufacturer's certification for the range of pressures to be encountered during mining operations.
3. Timely updates to risk registers including refined assessment and measurement of the key risk elements.
4. Preparation of specific contingency plans and documented review of these plans with the contractor.
5. Any changes in WTD's decision-making protocols needed to manage this contract.

Art Griffith from R. W. Beck is available today to respond to questions you may have about their review of the contract and recommendations to move forward.

CB:TR:yr

Attachment: Questions for Committee of the Whole, Agenda Item 5

cc: Dow Constantine, King County Executive
Rhonda Berry, Assistant Deputy County Executive
Bob Burns, Interim Director, Department of Natural Resources and Parks (DNRP)
Grover Cleveland, Business Manager, DNRP
Christie True, Division Director, Wastewater Treatment Division, DNRP
Dwight Dively, Director, Office of Management and Budget (OMB)
Sid Bender, Budget Supervisor, OMB
Mike Morrison, Budget Analyst, OMB
Tom Kuffel, Senior Deputy Prosecuting Attorney
Kendall Moore, Council Policy Staff
Beth Mountsier, Council Policy Staff
Art Griffith, Senior Utility Analyst, R.W. Beck
Tom Jacobs, Senior Management Consultant, R. W. Beck

Questions for Item #5, Committee of the Whole , April 7, 2010

Question to Art Griffith, R. W. Beck - As the council's oversight management consultant, does R.W. Beck and its expert sub consultants concur that the earth pressure balance tunnel mining approach is feasible and the cost and schedule are reasonable?

Question to Art Griffith, R. W. Beck - Recognizing the serious risks involved in completing the BT-3 mining project and the risks associated with a cost reimbursable-fixed fee contracting arrangement, can you identify additional steps WTD can take to help manage/mitigate the risks?

Question to Art Griffith, R. W. Beck - Moving forward, what information do you need from WTD to ensure that you can provide effective oversight and expert opinion on the status of the JDC contract/BT-3 tunnel mining project until project completion?

Question to WTD Representative (Christie True, Division Manager or Gunars Sreibers, Brightwater Project Manager) – When does WTD believe all of the project management systems referenced by R. W. Beck will be in place?