



## THE CITY OF KEY WEST

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### EXECUTIVE SUMMARY

**Date:** March 16, 2016

**To:** Jim Scholl, City Manager

**From:** Kreed Howell, Senior Construction Manager

**Cc:** Sarah Spurlock, Assistant City Manager  
Greg Veliz, Assistant City Manager  
Jim Bouquet, P.E., Director of Engineering  
Mark Finigan, Director of Finance

**Subject:** **Approval of Owner Direct Purchase Program for Construction of Truman Waterfront Park Phase 1A.**

#### Action Statement

Resolution approving the use of Owner Direct Purchase program via Key West Code Section 2-797 (4) Exempt Contractual Services to eliminate sales tax fee on selected materials for Project GR0703 – Truman Waterfront Park Phase 1A. Approve the March 11, 2016 Emergency Procurement of precast stormwater and sanitary sewer structures resulting in an initial estimated project savings of \$29,188 via the Owner Direct Purchase program. Authorize the City Manager to execute Owner Direct Purchase change orders.

#### Ordinance

Pursuant to the City of Key West Code Ordinances Subpart A, Chapter 2, Article VII, Division 3, Subdivision 2, Sec. 2-797 (4) Exempt Contractual Services b. *if in the opinion of the City Manager exceptional circumstances exist to exempt a purchase from the competitive bid requirements of this subdivision for the best interests of the City, he shall place a resolution before the City Commission for approval of such exemption.*

#### Background

Resolution No. 15-022 accepted the proposal of Charley Toppino and Sons Inc., (CTS) for construction of the Truman Waterfront Park Phase 1A in the amount of \$17,453,752.67. The project Contract Documents provide, as an option, that the City

MEMORANDUM

*Key to the Caribbean – Average yearly temperature 77° F.*

of Key West (City) may utilize Owner Direct Purchase (ODP) of materials and services per Contract Specification Section 11000 Summary of Work Sections 1.10 Procedures for the Owner Direct Purchasing Program and 1.11 Changes to Owner Direct Purchase Order (Attachment A). Upon request of the City, CTS provided an initial list of ODP items and associated costs (Attachment B). This initial list consists of precast stormwater and sanitary sewer structures. Based on Attachment B's tentative estimated material cost of \$418,366, the realized sales tax savings is \$29,188. To maintain project schedule and reduce overall project cost, purchase of these initial materials was by Emergency Procurement granted on March 11, 2016 (Attachment C).

CTS has estimated the total ODP material value for Phase IA Notice to Proceed (NTP) 1 and NTP 2 at \$3,091,868 (Attachment D), resulting in an estimated ODP sales tax savings of \$215,711. Material costs for NTP 3 will be requested once the formal notice to proceed for this subphase is issued by the City.

### **Purpose and Justification**

Approval of the Owner Direct Purchase program eliminates sales tax fees on selected project materials for construction of Truman Waterfront Park Phase 1A by allowing the City, an entity that is exempt from sales tax as per State statute, to purchase certain materials. The ODP program for this project will reduce overall funding required to construct a long-term, state of the art facility to serve the Key West community as a new park.

The improvement of infrastructure is critical to meeting the current and future needs of the City. This project is in accordance with the City of Key West's Strategic Goals #3 *Parks and Recreation areas are accessible to all residents and visitors* and Goal #5 *All of the City's Destinations and Resources Are Accessible to Residents and Visitors*.

### **Financial Issues**

Approval of the requested exempt contractual services via the ODP program initially reduces the project funding requirements by an estimated \$29,188. Implementing this ODP program is anticipated to reduce NTP 1 and NTP 2 funding requirements by an estimated \$215,711. Material costs will be removed from the Contractor's purchase order via deductive change orders, with purchase orders (minus sales taxes) issued directly to the material suppliers by the City. Resulting sales tax savings will be returned to Project GR0703 account #101-4303-543-6300.

### **Recommendation**

Staff recommends approving the use of Owner Direct Purchase program via Key West Code Section 2-797 (4) Exempt Contractual Services to eliminate sales tax fee on selected materials for Project GR0703 – Truman Waterfront Park Phase 1A. Staff also recommends approving the March 11, 2016 Emergency Procurement of precast stormwater and sanitary sewer structures resulting in an initial estimated project savings of \$29,188 via the Owner Direct Purchase program and authorizing the City Manager to execute Owner Direct Purchase change orders.