



## THE CITY OF KEY WEST

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### EXECUTIVE SUMMARY

**Date:** March 13, 2015

**To:** Jim Scholl, City Manager

**From:** Greg Veliz, Assistant City Manager

**Cc:** Sarah Spurlock, Assistant City Manager  
Jim Bouquet, P.E., Director of Engineering  
Nancy Kielman, Director of Finance

**Subject:** **Approval of Owner Direct Purchase Program for Construction of New City Hall at Glynn Archer School.**

#### Action Statement

Resolution approving the use of Owner Direct Purchase to eliminate sales tax fee on selected project materials for Project GN1302 - New City Hall at Glynn Archer School. Approving Burke Construction Group, Inc. to manage Owner Direct Purchase program on behalf of the City for a negotiated fee of 10 percent on the total savings realized. Project savings is currently estimated at approximately \$267,059, subject to timely approval of this option.

#### Background

Resolution No. 14-348 accepted the proposal of Burke Construction Group Inc., (Burke) for construction of a New City Hall at 1300 White Street with a base bid amount of \$14,997,500.00. The project documents provide, as an option, that the City of Key West (City) utilize Owner Direct Purchase (ODP) of materials and services (see Attachment A, Section 20 of Instructions to Bidders). Upon request of the City, Burke provided tentative list of potential ODP items and associated costs (Attachment B). Based on a tentative estimated cost of \$4,239,030 for potential ODP items identified on Attachment B and a current sales tax rate of 7 percent (%), estimated savings to the project is itemized below:

7% Sales Tax on Total Estimated Cost of \$4,239,030:	\$ 296,732
Estimated Burke Management Fee at 10%;	<u>\$ 29,673</u>
<b>Estimated Project Savings to City:</b>	<b>\$ 267,059</b>

MEMORANDUM

Services provided by Burke on behalf of the City will include, but not be limited to:

1. Direct subcontractors provide a detail breakdown of their contracts to separate materials from the labor and other costs.
2. Prepare and issue deductive change orders to subcontractors for their material portion including sales tax.
3. Prepare and issue deductive change orders to the City for the material portion including sales tax.
4. Prepare direct purchase orders (net of sales tax) directly to the material suppliers
5. Prepare and maintain a tracking spreadsheet throughout the project detailing the direct purchases, matching purchases to the respective deductive change orders, and identifying tax savings. The spreadsheet will reflect detailed draws against the above-mentioned direct purchase orders (DPOs) to track the payments made by the City so that the payments never exceed the respective purchase order.
6. Insure that the total of DPO's added to the total of the remaining subcontractor bills (labor, etc.) does not exceed the line item amount for each subcontractor.
7. Maintain subcontractor and materials coordination to facilitate completion of the project on schedule.

### **Purpose and Justification**

Approval of 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 City Hall.

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 Goal #5:  
*All of the City's Destinations and Resources Are Accessible to Residents and Visitors.*

### **Options**

1. Approve the use of Owner Direct Purchase to eliminate sales tax fee on selected project materials for construction of New City Hall at Glynn Archer School. Approve Burke Construction Group, Inc. to manage Owner Direct Purchase program on behalf of the City for a negotiated fee of 10 percent on the total savings realized. Project savings is currently estimated at approximately \$267,059, subject to timely approval of this option.
2. The City Commission may choose not to approve Owner Direct Purchase; however, an estimated savings of \$267,059 will not be realized.

### **Financial Issues**

Approval of the ODP program of this project will reduce required funding by an estimated \$267,059 once fully implemented. Burke's fee to administer this program is currently estimated at \$29,673 and will be funded via the realized savings through deductive project change orders.

**Recommendation**

Staff recommends approving Option 1 for use of Owner Direct Purchase to eliminate sales tax fees on selected project materials for Project GN1302 - New City Hall at Glynn Archer School. Burke Construction Group, Inc. is recommended to manage Owner Direct Purchase program on behalf of the City for a negotiated fee of 10 percent on the total savings realized. Project savings is currently estimated at approximately \$267,059, subject to timely approval of this option.