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AUGUST 14-20, 2015 • VOL. 35, NO. 52 • 56 PAGES

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COVER STORY

THE \$4.7 BILLION CONSTRUCTION PROJECT YOU'LL NEVER SEE

BY BEN UNGLESBEE

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Jay Goodwin said his construction company had never built a wastewater storage tank meant to look like an office building until MSD asked it to as part of its \$4.7 billion, 20-plus-year overhaul of the St. Louis sewer system.

The project is a boon to the \$40 million Goodwin Brothers Construction Co. in Crystal City, Missouri, one of many construction and engineering companies benefiting from the Metropolitan St. Louis Sewer District's massive project.

MSD has awarded nearly \$600 million in contracts between 2013 and 2015 to more than 70 companies, many of them local, as it fixes and upgrades its 6,700-mile sewer system and adds 30 miles of new tunnels to meet its \$4.7 billion settlement with the Environmental Protection Agency and the Missouri Coalition for the Environment Foundation in 2011.

Of the 10 companies awarded the most work to date, six were St. Louis-area companies, including SAK Construction LLC, Insituform Technologies USA LLC, J.H. Berra Construction Co. Inc., Gershenson Construction Co. Inc., Bates Utility Co. Inc. and Fred M. Luth & Sons Inc. Together, those companies won nearly \$280 million in primary contracts, according to a *Business Journal* review of MSD data. Other companies doing work for the sewer system overhaul are among the metro's larg-

est general contractors, including KCI Construction Co. Inc. and Goodwin Brothers, which have been awarded \$2.7 million and \$8 million, respectively, in MSD contracts so far.

With the \$4.7 billion in projected spending spread out over more than two decades, the project has given contractors some measure of long-term certainty for business, helping them recover after the drought in construction brought on by the recession.

'LATCHING ON' TO MSD WORK

The consent decree called for MSD to invest in its sewer system, which serves 1.3 million people in the city of St. Louis and St. Louis County, to protect human and environmental health. MSD bills the consent decree work as "one of the largest construction projects ever undertaken in the St. Louis region," and one of the few major public projects in the area after the recession. In 2012, Jack Strauss, then-chair of the Saint Louis University economics department, wrote that MSD's construction plan would add 25,000 jobs and \$3.5 billion to the St. Louis region over four years. The analysis has not been updated.

The project would remove most of the sewer overflows from the system over the next 20 years. It would also rehabilitate interceptors, pump sta-



tions and force mains, and the district's seven wastewater treatment plants, as well as add green infrastructure. A combination of customer charges and debt spending – including \$945 million in bonds for four years worth of projects – will be used to cover the cost. Average customer rates for a single-family residence, for example, have increased nearly 42 percent since 2012, from \$28.73 to \$40.72.

MSD's annual capital spending on its wastewater system has steadily increased in recent years, from \$119.1 million in 2010 to \$248.3 million in 2015, but the \$4.7 billion project is nearly double the \$2.7 billion that MSD spent from 1992 to 2012 on similar work to its system. Spending is expected to increase further in coming years as the district begins work on multiple tunnel construction projects.

"Knowing our program was getting larger, we knew we needed to have more contractors providing services," said Richard Unverferth, MSD's director of engineering. To that end, the district has started allowing companies without a drainlayer's license to partner with those that do, rather than require all companies to get the license – a difficult and expensive proposition. St. Louis city, for example, charges \$300 for a three-year master drainlayer's license, on top of which firms might pay hundreds of dollars for coursework to prepare for the licensing test, not to mention the time and opportunity cost of doing that.

Lance LeComb, public information manager for MSD, said "some companies certainly latched onto" the project to keep their businesses afloat after the recession and are now trying to expand."

Jerry Shaw, president of SAK Construction, which has won \$87.2 million in consent decree projects between 2013 and 2015 – the most of any firm so far – said the capital campaign has helped his firm expand locally.

"Obviously we knew there was going to be a greater amount of work to do, and obviously there is," he said. The company, which specializes in pipeline infrastructure, has added to its repertoire by taking on work on lateral sewer lines, which connect residences and buildings to the sewer system, for MSD. In the last three years, SAK has added six crews – up from zero – to work on lateral lines, Shaw said. The crews typically have about six people apiece.

LEARNING THE TRADE

MSD Executive Director Brian Hoelscher said some construction firms have expanded their capabilities to work on the district's capital projects. Among them are St. Louis-based ABNA Engineering, led by principal and President Nicole Adewale, which added open-cut sewer capabilities to the design work it had done for MSD; David Mason & Associates Inc., also based in St. Louis, which added sewer inspections to its services; and Fred M. Luth & Sons, which has entered the micro-tunneling business, Hoelscher said. Other contractors

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MSD PUSHES FOR DIVERSITY EVEN WITH REDUCED GOALS

Along with giving a boost to local construction and engineering firms, many hoped Metropolitan St. Louis Sewer District's \$4.7 billion capital project would provide opportunities for women- and minority-owned firms in the area.

Hope for some turned to concern when MSD revised its contracting and workforce goals after carrying out a diversity study that found it was over-using women- and minority-owned firms in some areas, relative to the local market. In 2012, MSD nixed its goals for women-owned contract awards as well as many of its goals for minority-owned firms. The district left in place a 30 percent goal for awards to African-American and Hispanic companies in its building construction, and a 17 percent goal for African-American firms for non-building construction.

Even without the goals, the district still looks for ways to increase vendor diversity. To help reduce disparities in its prime contractors, MSD gives a 10 percent boost in its point system on engineering professional services contracts to bids from women- and minority-owned businesses, and the district has also worked to make it easier for subcontractors to become prime contractors. Vicki Taylor Edwards, MSD's director of human resources, said the district works to introduce its contractors to diverse firms to lay the groundwork for partnerships.

According to MSD figures, from 2013 to 2015 the district paid \$81.4 million to women- and minority-owned firms – about 17 percent – out of \$465.7 million paid so far for capital spending.

Along with business ownership, MSD looks to make the area workforce more diverse. To do that, MSD has its contractors build workforce goals into their contracts for projects. The district aims for a workforce made up of 30 percent minority workers and 7 percent female on construction projects, and 18 percent minority workers and 32 percent female on professional services contracts.

To verify that contractors' crews and subcontractors are as diverse as they say they are, MSD has an inspection team of seven people that visits sites. "We didn't have that process three years ago," Taylor said. The district is also partnering with St. Louis Agency on Training and Employment, or SLATE, to develop a diverse labor pool interested in working for MSD.

MSD also reports diversity goals and outcomes on each of its contracts and across its capital spending. In the third quarter 2015, for example, about 18 percent of the district's contractor workforce for the quarter was made up of women and minorities.

Len Toenjes, president of the Associated General Contractors of Missouri, said a "furor" followed MSD's initial announcement that it would alter its diversity goals. But he said he hasn't heard much about it from contractors since. "No one has called me," he said. "I have not heard of any charge mounted to undo" the change in goals.

—Ben Unglesbee

► CHECKLIST FOR MSD CONTRACTING

Want to bid for or subcontract on Metropolitan Sewer District capital projects? Here's what you need:

- **Experience:** In qualifying for MSD work, the district asks firms to list the relevant projects to the company's capabilities, as well as the total experience of the firm's principals.
- **Licensing:** MSD requires firms to hold a drainlayer's license for sewer projects, though firms without them can now partner with firms that already hold a license to do the work.
- **Insurance:** Companies need various forms of liability insurance — for everything from property damage and injury to pollution — depending on the type and scope of the work.
- **Equipment:** MSD wants an inventory of what equipment companies have and how used it is.
- **Diversity:** Depending on the type of project, MSD asks contractors to build certain goals for diversity in both workforce and subcontracts into prime contracts.

COVER STORY

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– including XL Contracting, Above and Below Contracting and J&J Boring Inc. – have gone from doing projects under \$25,000 to as large as \$200,000.

Hoelscher said even projects as small as \$200,000 have drawn a dozen bidders – a high number historically for the district, and one that is only now starting to diminish. “You saw people who didn’t do our type of work bidding for our work,” he said. The upside for MSD, he added, is that the competition has helped keep costs for the projects low.

Len Toenjes, president of the Associated General Contractors of Missouri, said the projects have helped many companies maintain their market position, and some specialized firms to grow, but the spending has not been “blow-the-walls-out huge-type stuff.”

But not all companies have the skills to do the work or can make the big capital expenditures on the necessary equipment for some work, such as MSD’s planned tunneling projects to expand system capacity. With tunnel boring machines running into the tens of millions of dollars to buy, “to get in and get out of that business is pretty cost prohibitive,” Toenjes said. “Your standard St. Louis sewer contractor doesn’t have one of those sitting in the backyard.”

‘STABILITY TO THE PROGRAM’

Goodwin said his company, which specializes in wastewater treatment plant construction, has an eye out for the treatment plant projects coming down the road that are part of the consent decree agreement. “As long as the company’s around for the next 20 years, I’m sure we’ll be interested in MSD’s work,” said Goodwin, Goodwin Brothers’ senior estimator.

Meanwhile, the company’s work on the 6 million-gallon, \$9.3 million wastewater storage tank near Lambert-St. Louis International Airport, together with its 20-year relationship with MSD, has helped the company win work elsewhere, including work on a \$70 million treatment plant in Liberty, Missouri.

For SAK, the future is a mixed bag. On one hand, MSD holds the promise for more tunneling projects, including five projects set to be bid out in the next two years worth \$1 billion. Tunnel projects are considerably larger than piping rehabilitation and require more expensive equipment. That means few local firms will be qualified to do the work, but it also means those projects are more likely to attract big national and international bidders.

“It will be interesting to see what happens here with the tunneling projects,” Shaw said. He expects up to seven or eight bids on the big tunneling projects – a lot by historical standards. And while competition might be heavy, Shaw said the local workforce presents a challenge. “It’s been difficult” finding trained people for tunnel work, he said. “Are there people in

► MSD CONTRACTORS FISCAL YEARS 2013-2015

CONTRACTOR	AMOUNT
SAK Construction, LLC	\$87,200,000
Insituform Technologies USA, LLC	\$77,510,000
Jacobs Engineering Group, Inc.	\$42,970,000
J. H. Berra Construction Co., Inc.	\$33,015,000
Burns & McDonnell Engineering Co., Inc.	\$32,771,000
Gershenson Construction Co., Inc.	\$30,955,000
Parsons Water & Infrastructure, Inc.	\$30,259,000
AMEC Environment & Infrastructure, Inc.	\$28,218,000
Bates Utility Company, Inc.	\$27,680,000
Fred M. Luth & Sons, Inc.	\$23,242,200
Plocher Construction Company, Inc.	\$14,000,000
Unnerstall Contracting Co., Ltd.	\$9,307,000
Goodwin Brothers Construction Company	\$7,965,000
Visu-Sewer of Missouri, LLC	\$7,250,000
XL Contracting, Inc.	\$6,170,000
J & J Boring, Inc.	\$6,000,000
RJN Group, Inc.	\$5,600,000
Shannon & Wilson, Inc.	\$5,200,000
Kennedy Associates/Architects, Inc.	\$5,050,000
HDR Engineering, Inc.	\$4,800,000
Black & Veatch Corporation	\$3,970,000
Ace Pipe Cleaning, Inc.	\$3,500,000
ADS Environmental Services, LLC	\$3,000,000
KCI Construction Company	\$2,700,000
Schneider Electric Company	\$2,000,000
StandPoint Public Affairs	\$1,998,000
TGB, Inc.	\$1,834,211
Geosyntec Consultants, Inc.	\$1,745,619
Synagro Technologies, Inc.	\$1,600,000
Metro Utilities, LLC	\$1,490,000
R. E. Pedrotti Co., Inc.	\$1,300,000
Woolpert Consultants, Inc.	\$1,200,000
U. S. Geological Survey	\$1,100,000
CDM Smith, Inc.	\$940,000
Losli Engineering, LLC	\$900,000
URS Corporation	\$800,000

CONTRACTOR	AMOUNT
Stantec Consulting Services, Inc.	\$650,000
Tetra Tech, Inc.	\$575,000
Midwest Mole, Inc.	\$530,000
Kwame Building Group, Inc.	\$500,000
Dizdar Brothers Sewer & Const., Inc.	\$452,000
Civil Design, Inc.	\$400,000
Industrial Network Systems Corporation	\$400,000
Vieux and Associates, Inc.	\$370,000
AFRAM Corporation	\$350,000
Raider Mechanical, Inc.	\$325,000
Horner & Shifrin, Inc.	\$300,000
Przada Appraisal Services, LLC	\$225,000
Sutton Realty Company, LLC	\$225,000
HR Green, Inc.	\$222,000
Heideman & Associates, Inc.	\$190,000
Mueller & Neff Real Estate Appraisers & Consultants, Inc.	\$165,000
Real Estate Analysts Limited	\$165,000
The Sterling Company	\$150,000
Volz Incorporated	\$150,000
Pangea Engineering and Surveying, LLC	\$125,000
ABNA Engineering, Inc.	\$100,000
Glasper Professional Services, Inc.	\$100,000
Juneau Associates, Inc., PC	\$100,000
Sabur, Inc.	\$100,000
Two Alpha Contracting, LLC	\$97,725
Shalom Services Corporation	\$90,000
Vance Engineering, Inc.	\$90,000
Above and Below Contracting, LLC	\$86,000
EDM Incorporated	\$80,000
Engineering Design Source, Inc.	\$50,000
Geotechnology, Inc.	\$50,000
Hanson Professional Services, Inc.	\$50,000
Kowelman Engineering, Inc.	\$50,000
Sabur Surveying, Inc.	\$50,000
Terracon Consultants, Inc.	\$50,000

AWARDS TO PRIME CONTRACTORS FOR MSD CONSENT DECREE CAPITAL SPENDING. SOURCE: MSD

St. Louis? Sure, there’s people. Are there trained people? That’s the issue.”

To increase the size and diversity of its workforce, MSD has been partnering with St. Louis Agency on Training and Employment, or SLATE, to develop a labor pool interested in working for MSD.

Toenjes hasn’t heard concerns about lack of workers from area contractors but said as the consent decree work continues and includes more specialized work like tunneling, finding skilled workers could become a problem. More specifically, tunnel workers use lasers, computers, chemicals and need safety training for all that, Toenjes said.

“It’s very specialized work,” he said. “Getting people 50, 60, 80, 100 feet under the ground – it’s gotten a lot more complicated than digging a hole in the ground and dropping a pipe in it.”



Unnerstall Contracting works on the Hartland to Gothland sewer.

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