

## IMPACT STATEMENT

**Legislation title:** Accept bid of Moore Excavation, Inc. for the Woodlawn-King Streets Sewer Rehabilitation project for \$5,726,410.00 (Procurement Report - Bid No. 00000566)

**Contact name:** Christine Moody, Chief Procurement Officer 

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**Presenter name:** Christine Moody, Chief Procurement Officer

### **Purpose of proposed legislation and background information:**

The purpose of this legislation is to authorize the Chief Procurement Officer to execute a construction contract for the Woodlawn-King Streets Sewer Rehabilitation project for \$5,726,410.00.

The Woodlawn-King Streets Sewer Rehabilitation project is a part of BES' Large Scale Sewer Rehabilitation Program. Programs goals are to rehabilitate or replace severely deteriorated sewer pipes, manholes, service laterals, and inlet pipes throughout the City's sewer system and restore service life as economically and efficiently as possible.

Approximately 16,200 feet of failing sewer infrastructure will be repaired during this project.

Ordinance No. 188246 was approved by City Council on February 22, 2017 authorizing the Chief Procurement Officer to issue a competitive solicitation for the Woodlawn-King Streets Sewer Rehabilitation on behalf of the Bureau of Environmental Services. The construction cost based on bids received is \$5,726,410.00.

No revenues will be impacted by this legislation.

This legislation does not change existing City policy.

### **Financial and budgetary impacts:**

The engineer's estimate for this project was \$4,692,000.00 and the confidence level was high. Based on bids received, the Bureau of Environmental Services (BES) anticipates the construction contract cost to be \$5,726,410.00 which is 26% over the engineer's estimate.

Upon evaluation of the bid for this project, we have come to the conclusion that there were the following factors that contributed to the project coming in over the engineers bid estimate:

**Bid Item 1 - Mobilization:** Mobilization is typically estimated at about 10% of the total amount. The cost difference in this bid item was \$223,900, which is -21.6%. The engineer's estimate for this bid item ended up being 6.9% of the total. This bid item was formulated prior to all other item estimates were finalized. The Contractor's percentage was 9.6% appears more consistent with the accepted rule-of-thumb for mobilization costs. On future estimates, this bid item needs to be checked after each iteration to maintain the proper cost percentage compared to the total.

**Bid Item 16 - Trench Backfill, Class B:** The Class B Backfill had a recent history of bid pricing being between \$11 and \$18. The EE used a unit cost based on the Construction Cost Index (CCI) adjusted cost of \$20. The \$6 difference is within the expected range, but the extended quantity represents a significant cost impact. The average price for this item across all bidders was \$29. This item may be outpacing the CCI and may need further adjustment in future EE's. This bid item difference was 7% of the total difference, and 30% difference on the bid item cost.

**Bid Item 21 - 6-inch Pipe, PVC ASTM 03034 SOR 35, Bedding Type 0:** This is a major bid item. The 6-inch pipe included was for lateral replacement, which has a high degree of confidence in quantity due to it being based off video inspection and distance from mainline to curb. The EE price of \$80/LF is in line with the historic bid item pricing which ranged from \$80 to \$99. With a large quantity of this pipe, the lower range of the estimate was used as it was anticipated that economies of scale would benefit the City. The bid prices for this item ranged from \$105 to \$195. This trend shows that the cost/risk associated with this item is viewed as exceeding average unit prices adjusted for the CCI. This item exceeded the EE by \$194,652 which is 18.8% of the difference in project costs and 51% higher as a unit cost.

**Bid Item 23 - 8-inch Pipe, PVC ASTM 03034 SOR 35, Bedding Type O:** This bid item on the EE was \$90/LF. The average of 3 similar projects was \$150, with a range from \$111.50 to \$213, and a winning bid cost of \$136/LF. This unit cost appears to be improperly selected based on historic bid pricing. This item exceeded the EE by \$65,918 which is 6.4% of the difference in project costs and 51% higher as a unit cost.

**Bid Item 26 - 12-inch Pipe, PVC ASTM 03034 SOR 35, Bedding Type O:** This is a major bid item with an EE unit price of \$110/LF. The historical average for this bid item was \$128 and ranged from \$96 to \$159. A lower unit cost was used to capture economy of scale. The MEI bid item cost was \$136/LF, with the bidding ranging from \$125 to \$172. This appears to be an item which is experiencing a cost exceeding the CCI and we may need to increase costs above CCI adjusted values for future bids. This bid item exceeded the EE by \$137,664, which is 13.3% of the bid difference and 24% higher as a unit cost.

**Bid Item 35 - Pipe Tees or Wyes, 12-inch x 6-inch:** There are 166 wyes of this size to be installed. The EE unit cost for this bid item was \$225/EA. The historic average unit cost ranged from \$225 to \$270, with an average of \$249. This is another Bid item which is outpacing the increase due to the CCI, but only slightly. The MEI cost was \$600. This unit cost was likely identified as a likely candidate to exceed bid quantities by the bidder, as the range of costs for this item among the other 4 bidders was from \$190 to \$250. This item is unbalanced. A discussion with the winning bidder may be appropriate as to why this unit value is significantly higher than the average or historic estimates prior to contract execution. The difference in bid due to this bid item was \$62,250, which was 167% higher than the EE unit cost and 6% of the total cost.

**Bid Item 43 - Mainline Spot Repair 6 to 12 inch, 0 to 15 ft deep, 5 feet long:** This is a major bid item. The EE unit cost for this item was \$4,000/EA. The historic range for this item was \$4,900 to \$6,083, with an average cost of \$5,460. With 70 spot repairs called out, a better unit cost of \$4,000 was expected. However, the bid prices for this item ranged from \$4,800 to 10,000. With MEI bidding \$4,800. This item seems to be increasing faster than the CCI and this needs to be considered on other projects containing this type of work. There is a fair amount of risk associated with this bid item, hence the increase in unit price. This difference in unit cost accounts for \$56,000 in bid price, which is 5.4% of the bid difference and 20% higher than the EE unit cost.

Funds are available in the Sewer System Operating Fund, FY 2017-FY 2020 CIP, Bureau of Environmental Services, WBS Element E10331.

No present positions will be created, eliminated or re-classified as a result of this legislation.

#### **Community impacts and community involvement:**

The construction contracting community, including contractors certified with the State of Oregon as Disadvantaged, Minority, Women, or Emerging Small Businesses became involved when the Chief Procurement Officer advertised and publically noticed the project on the City's Online Procurement System on March 8, 2017. A public notice was also posted in the Daily Journal of Commerce on March 8<sup>th</sup>, 2017.



Potential bidders were able to review the competitive solicitation, attend a pre-bid meeting, ask questions, provide comments and submit a bid in response to the Invitation to Bid (ITB). Bids received resulted in the award of the construction contract. Procurement Services managed the procurement process. No protests were received.

We do not anticipate anyone, or group will be testifying.

### Budgetary Impact Worksheet

**Does this action change appropriations?**

- ☐ **YES:** Please complete the information below.  
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount