

IMPACT STATEMENT

Legislation title: Accept bid of Emery & Sons Construction Group for the Hollywood-Grant Park Sewer Rehabilitation Project for \$10,995,653.00 (Procurement Report – Bid No. 00000050)

Contact name: CM Christine Moody, Chief Procurement Officer

Contact phone: 503-823-1095

Presenter name: Christine Moody, Chief Procurement Officer

Purpose of proposed legislation and background information:

Authorize the Chief Procurement Officer to execute a construction contract for the Hollywood-Grant Park Sewer Rehabilitation Project to Emery & Sons Construction Group. The construction cost based on bids received is \$10,995,653.00.

This project is part of the Bureau of Environmental Services' (BES) Large Scale Sewer Rehabilitation Program. Its intent is to rehabilitate or replace more than 36,000 feet of combined sewer pipe, manholes, service laterals, inlets and inlet leads that are currently in severely deteriorated condition in the Hollywood and Grant Park neighborhoods of NE Portland.

Ordinance No. 187090 was approved by City Council on April 15, 2015 authorizing the Chief Procurement Officer to issue a competitive solicitation for the Hollywood-Grant Park Sewer Rehabilitation Project on behalf of BES.

No revenues will be impacted by this legislation.

This legislation does not change existing City policy.

Financial and budgetary impacts:

Based on bids received, BES anticipates the construction contract cost to be \$10,995,653.00. The engineer's estimate for this project was \$9,500,000.00 and the confidence level was High.

BES conducted a bid analysis and determined that six bid items comprised 80% of the total difference between the low bid and the engineer's estimate, as follows:

- Mobilization – The Mobilization amount is usually about 8% of the total bid amount. Because the total estimate and total bid amount varied, this item also varied and ended up being 117% off, which correlates well to the overall bid difference of 116%.
- Erosion Control – Site drainage for nearly all pipe construction in this project will be controlled by street curbs, making erosion control a relatively easy item to predict and execute. Recent projects with similar erosion control requirements average 0.35% to 0.80% of the total contract amount for this bid item. The bid price for this project is 1.36% of the contract amount which was not anticipated.
- Video Inspection of Sewers, Mainline – Recent bid prices for this bid item average about \$2.80/LF, the bid price for this project is \$4/LF. BES staff are aware that local contractors who provide this service are busy, often with other BES goods and services contracts for

pipeline video inspections. The current lack of market capacity for this service may have contributed to the high bid price. However, this was not anticipated by BES staff.

- CIPP Liner, 8-inch – All lining bid items came in above anticipated and historical costs. Recent bids for 8-inch liner range from \$26/LF to \$32/LF. BES estimated the higher end of that range. The bid price of \$50/LF was not anticipated. Follow-up conversations with one of the vendors who bid this bid item indicated a general increase in their delivery costs, and an increase in costs to meet BES quality standards (as a result of past performance issues experienced by this same vendor).

Cured-In-Place Pipe (CIPP) is a technology-reliant product with high variation in final product. In the Portland/Southwest Washington area there are only two active specialized subcontractors performing this work. As the technology emerges, costs fluctuate between the two subcontractors. The increase in CIPP costs were not anticipated.

- 6-inch PVC Pipe – Recent bid prices for 6-inch PVC pipe range from \$40/LF to \$125/LF. BES believed the quantity of 6-inch pipe in the project would attract a better price of around \$80/LF. The bid price of \$115 was not anticipated. Six-inch pipe is service lateral pipe. Service lateral construction has been an item targeted for innovation in the rehabilitation program. It is possible that lateral construction is considered by bidding contractors as being less predictable and as such, they have added costs to reflect that hypothesis. This is contrary to how this project was designed, as most of the pipe had been videoed to decide what rehabilitation method, if any, would be required. Therefore, the quantity of 6-inch pipe estimated in design was one developed with a very high degree of confidence.
- 48-inch Manholes – Recent bid prices display a trend of increasing costs for precast concrete. This is due in part to increased Portland cement prices, some consolidation of operations among precast manufacturers, and an increase in demand as construction activity picks up in our region. Even though 48-inch manholes have been ranging from \$4,100 to \$6,500 each, BES estimated them at \$4,000 each because of the proposed large volume required for the project. The high bid price of \$5,800 per 48-inch manhole was unanticipated.

Additionally, a larger cost factor may be attributed to a significant increase in construction activity in neighboring Washington County and the surrounding Metro areas. It has been reported that infrastructure spending by Washington County, Intel, Beaverton and other neighboring agencies is placing a high demand on materials and labor. BES' bid analysis showed that the low bid supplied by Emery & Sons is a balanced bid that reflects current market conditions and a general uptick in demand for construction work, and is the actual market value for the work.

Funds are available in BES' Sewer System Operating Fund, 2015 Budget, WBS Element E10384.

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 minority, women, and emerging small businesses became involved when the Chief

Procurement Officer advertised and publically noticed the project on the City's Online Procurement System on May 27, 2015.

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.

No known persons or groups will be testifying.

No future public involvement is anticipated or necessary for this request.

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