

IMPACT STATEMENT

Legislation title: Accept bid of Iron Horse Excavation, LLC DBA Oxbow Construction for the Skidmore Pump Station Upgrade for \$1,094,000 (Procurement Report - Bid No 00000105)

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

Purpose of proposed legislation and background information:

Authorize the Chief Procurement Officer to execute a construction contract for the Skidmore Pump Station Upgrade to Iron Horse Excavation, LLC DBA Oxbow Construction. The construction cost based on bids received is \$1,094,000.

This project is part of the Bureau of Environmental Services (BES) Pump Station Improvement Program. Remodeling will reduce maintenance requirements and improve the reliability of this station.

The current pumping station was built in 1988. Since that time there has been a great deal of development in the area including Columbia Knoll, a 300+ unit housing development. The amount of new development means the current station must work more often and for longer periods. This activity has stressed the capacity of the pumps and created noise issues for some residents. The new station will improve the pumping capacity ensuring that sewage can be pumped out of the area, and will better buffer noise from neighbors.

Ordinance No. 187319 was approved by City Council on August 26, 2015 authorizing the Chief Procurement Officer to issue a competitive solicitation for the Skidmore Pump Station Upgrade 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 \$1,094,000. The engineer's estimate for this project was \$731,000 and the confidence level was High.

BES conducted a bid analysis and determined that though the total price is much higher than was originally anticipated, it is considered acceptable for the reasons as outlined below.

- The next two bidders submitted bids within 5.5% of Iron Horse Excavation, LLC DBA Oxbow Construction's bid. Since much of the cost to construct this project will be for work performed by subcontractors and suppliers (i.e., electrical and mechanical contractors), it is evident that similar bids were turned in by subcontractors and suppliers to all bidders. Therefore, BES can surmise that the bid is reasonable based on how close it is to the next two lowest bidders.

- The primary difference in the low bid compared to the Engineer's Estimate is general cost inflation compared to when the estimate was prepared and when the project was bid. The estimate was prepared in May 2014 and since then, commercial construction activity has increased dramatically in the Portland metropolitan area. Building contractors and construction materials are in high demand throughout the Pacific Northwest therefore, contractors and suppliers are now able to charge higher prices for labor, equipment and materials in general. In fact, many specialty trade workers and subcontractors including electricians, plumbers and concrete finishers, are too busy to competitively bid most projects. Based on discussions with Iron Horse Excavation, LLC DBA Oxbow Construction and written correspondence from the Engineer of Record, there is broad concurrence with this analysis. Iron Horse Excavation, LLC d/b/a Oxbow Construction also reports that the bids they received for this project are higher than expected across the board.
- It appears that the Engineer's Estimate was prepared at a time when the market had not yet revealed the sudden increase in costs for building materials and labor due to the improving economy. Although BES was somewhat concerned with the Engineer's Estimate at the time of bidding, BES did not have enough detailed information at the time to accurately justify an increase in the anticipated low bid cost.

Therefore, BES concluded that due to the proximity of Iron Horse Excavation, LLC d/b/a Oxbow Construction's bid for this project to the next two lowest bidders and the improving economy that has caused shortages of materials and skilled labor, Iron Horse Excavation, LLC d/b/a Oxbow Construction's bid is considered reasonable and rebidding the project will not result in an overall cost savings or a more favorable outcome..

Funds are available in BES's Sewer System Operating Fund, FY 2015-2016 Budget, Bureau of Environmental Services, WBS E10291.C14.

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 August 31, 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