

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Authorizing the City Manager to Execute a Construction Contract with CDK Construction Services, Inc. in the Amount of \$6,122,540 for the Ballinger Maintenance Facility Project
<b>DEPARTMENT:</b>	Public Works
<b>PRESENTED BY:</b>	Tricia Juhnke, City Engineer
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The City Maintenance Facility program includes construction of three maintenance facilities for the City's Public Works, Parks and Facilities Maintenance Divisions: the North Maintenance Facility, Hamlin Maintenance Facility and the Ballinger Maintenance Facility. The first to be advertised for construction bids is the Ballinger Maintenance Facility Project. This project, which is sited at the City property west of Ballinger Way NE adjacent to King County's Brightwater maintenance portal, includes the development of structures and equipment to support vehicle washing, fueling, storage of salt and salt brine for snow operations and a spoils decant facility. The architect's estimate for construction of the project was \$4,300,000.

Between April 19 and May 17, 2022, the City solicited construction bids to construct the Ballinger Maintenance Facility as Bid #10326. Bids were opened on May 17, 2022, and three (3) bids were received, all above the architect's estimate. CDK Construction Services, Inc. was the low bidder with a bid of \$6,122,540. City staff determined that the bid from CDK Construction Services, Inc. is responsive and meets all requirements of the bid. Tonight, staff is recommending that City Council authorize the City Manager to execute a construction contract with CDK Construction Services, Inc. for the Ballinger Maintenance Facility Project.

**RESOURCE/FINANCIAL IMPACT:**

The close range of the bids received tends to confirm staff's analysis that the project scope was well understood by the bidders and that there were no errors or omissions that account for the bid results. Staff analyzed external factors including inflationary and supply chain challenges currently affecting the industry bidding environment and found that these factors are the likely source of the high bids that were received and are likely to continue for the remainder of 2022. Staff also reviewed the project to determine whether an element could be deleted with minimal cost or operational impact to the overall Maintenance Facility program. Staff recommends that this not be pursued as all elements are critical for maintenance operations and relocation alternatives are limited due to space constraints at the other sites.

The City has been setting aside \$1 million annually for City maintenance facilities; the total amount that has been designated through the end of 2021 is \$8 million. These funds are sufficient to cover both the streets and general fund contribution for construction of the Ballinger Maintenance Facility project.

With the City’s commitment to set aside \$1 million annually for the Maintenance Facility program, it will take longer to build out the program as more funding than anticipated is proposed to be used on the Ballinger Maintenance Facility and escalation in construction costs over time will erode our funding ability to deliver the remaining projects. Staff are receiving project bids that are higher than anticipated and expect that cost escalation will continue such that additional funds may be needed to realize all the City maintenance facility needs. Updated cost estimates for the Hamlin and North Maintenance facilities will be developed as the designs are developed and related changes in the budget will be discussed in the 2023-2024 budget and Capital Improvement Program (CIP) presentations.

The Ballinger Maintenance Facility is used by, and benefits, several operations and maintenance groups, including Streets, the Surface Water utility, Wastewater utility, Parks, Fleet and Facilities and the Shoreline Police Department. The percentage of use of each of the Facility’s components was used to calculate their respective cost shares as shown in the Expenditure and Funding table below. The combined, additional funding necessary for contract award is \$1,843,623. The final cost shares of each fund will be adjusted through the 2023 – 2024 CIP budget process later this year.

**EXPENDITURES**

City Administration & Direct Costs	\$ 100,000
Design (TCF Architecture)	\$ 447,627
Construction Management & Inspection (TCF)	\$ 328,098
<i>Phase 1 Construction (CDK Construction Services Contract)</i>	<i>\$ 6,122,540</i>
Construction Contingency (5%)	<u>\$ 306,127</u>
<b><i>Expenditure Total</i></b>	<b><i>\$ 7,304,392</i></b>

**REVENUES**

State Direct Appropriation Grant	\$ 500,000
Street Fund (Supported by General Fund)	\$ 2,492,189
Surface Water Utility Fund	\$ 1,498,425
Wastewater Utility Fund	\$ 464,453
General Fund Contribution	<u>\$ 2,349,325</u>
<b><i>Revenue Total</i></b>	<b><i>\$ 7,304,392</i></b>

**RECOMMENDATION**

Staff recommends that City Council authorize the City Manager to execute a construction contract with CDK Construction Services, Inc. in the amount of \$6,122,540 for the Ballinger Maintenance Facility Project.

Approved By:            City Manager ***DT***    City Attorney ***MK***

## **BACKGROUND**

At the [January 29, 2018 Council meeting](#), the City Council approved a contract with TCF Architecture to complete a Distributed City Maintenance Facilities Analysis. This analysis produced multiple distribution scenarios for evaluation. At the [April 22, 2019 Council meeting](#), the Council selected City Maintenance Facility Project Scenario A for furthering design and construction.

At the [February 24, 2020 Council meeting](#), the Council executed an agreement with TCF Architecture to design the Ballinger Maintenance Facility Project, formerly known as the Brightwater Site Project. The project site is at the City property west of Ballinger Way NE, adjacent to King County's Brightwater maintenance portal. The project includes structures and equipment to support vehicle washing, fueling, storage of salt and salt brine for snow operations and a spoils decant facility. The architect's estimate for construction of the project was \$4,300,000.

The Maintenance Facility design was completed by TCF Architecture earlier this year, and between April 19 and May 17, 2022, the City solicited construction bids to construct the Ballinger Maintenance Facility as Bid #10326. Bids were opened on May 17, 2022, and three (3) bids were received from the following firms:

- Sea Con LLC \$6,821,671
- Kassel & Associates, Inc. \$6,471,301
- CDK Construction Services, Inc. \$6,122,540

CDK Construction Services, Inc. was the low bidder with a bid of \$6,122,540, which substantially exceeds the architect's estimate. City staff determined that the bid from CDK Construction Services, Inc. is responsive and has met the requirements of the bid. This was determined by:

- Evaluation of the bids through the creation of bid tabulations.
- Verification that the contractor is properly licensed in Washington and has not been barred from contracting on federal- and state-funded projects.
- Checking the contractor's references.

Given the amount of the low bid in relation to the architect's estimate, staff closely analyzed the contractor's bid and the architect's cost estimate to determine whether errors or omissions existed in either. Staff found no errors or omissions sufficient to account for the difference between the architect's estimate and the contractors' lowest bid.

## **ALTERNATIVES ANALYSIS**

Staff identified two potential alternatives to awarding this construction contract, which is the recommended action:

1. Council could decide to re-bid this contract in the hope that additional contractors would bid for this work or bids would come in at a lower cost. Given the analysis

performed that determined no errors or omissions existed in the bid, staff does not believe that this will occur and is *not* recommending this alternative be pursued further.

2. Council could decide to reject all bids, re-evaluate and potentially revise the design of the Maintenance Facility to produce lower bids either by cost evaluation or deletion of portions of the project scope. Staff is also *not* recommending this alternative because the current project scope is appropriate to the City's needs. Additionally, the time required and potential cost of analysis to re-evaluate this project would be significant, and design revision is unlikely to produce sufficient savings to substantially affect future bids. Moreover, staff's completed bid analysis and the close range of the bids received lead to the conclusion that the current bidding environment is heavily impacted by current rates of inflation and underlying supply chain issues, which are the most likely cause of the high bids received. Rejecting these bids and re-bidding at a later time will only exacerbate these factors and lead to potentially higher future bids for this work.

### **COUNCIL GOAL(S) ADDRESSED**

The execution of this construction contract addresses Council Goal #2: Continue to deliver highly valued public services through management of the City's infrastructure and stewardship of the natural environment, and specifically Action Step #7 under this Council Goal: "Implement Phase One of the City Maintenance Facility project: construction of the Ballinger Maintenance Facility and preliminary design of the Hamlin and North Maintenance facilities."

### **RESOURCE/FINANCIAL IMPACT**

The close range of the bids received tends to confirm staff's analysis that the project scope was well understood by the bidders and that there were no errors or omissions that account for the bid results. Staff analyzed external factors including inflationary and supply chain challenges currently affecting the industry bidding environment and found that these factors are the likely source of the high bids that were received and are likely to continue for the remainder of 2022. Staff also reviewed the project to determine whether an element could be deleted with minimal cost or operational impact to the overall Maintenance Facility program. Staff recommends that this not be pursued as all elements are critical for maintenance operations and relocation alternatives are limited due to space constraints at the other sites.

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