

## **CITY COUNCIL AGENDA ITEM**

### **CITY OF SHORELINE, WASHINGTON**

<b>AGENDA TITLE:</b> North City Project contract bid opening results and update
<b>DEPARTMENT:</b> Public Works
<b>PRESENTED BY:</b> Jill Marilley, P.E., City Engineer

**PROBLEM/ISSUE STATEMENT:** The purpose of this report is to update Council on the status of the bid opening held July 1, 2004 for the North City Project and next steps. There is no action requested at this time. At this time there is an approximately \$1,600,000 gap between the project funds available and the current estimated expenses to complete this project.

**BACKGROUND:** The North City Project is identified, as Goal No. 6 in the Council's 2003 – 2004 Work Plan. The North City Project combined three projects to become the North City Project. This project is to include design and construction of:

- New 10.5 foot sidewalks with decorative scoring and coloring in the North City Business District;
- Utility undergrounding (power, cable and telecommunications) in the Business District area;
- Asphalt overlay with decorative crosswalks in the Business District;
- 3-lane configuration of 15<sup>th</sup> Avenue NE;
- Street trees and decorative light poles and luminaires;
- A new signal at N 150<sup>th</sup> Street and 15<sup>th</sup> Avenue NE;
- A new pedestrian signal at 147<sup>th</sup> and 15<sup>th</sup> NE;
- A neighborhood mitigation fund for potential impacts of the reconfiguration of 15<sup>th</sup> Avenue NE;
- Neighborhood mitigation on NE 168<sup>th</sup> and NE 177<sup>th</sup> Streets;

The bid opening for the phase of work north of 172<sup>nd</sup> was held on July 1, 2004 and there were 4 bids received. The base bid included all work required to underground the utilities, new sidewalks, roadway overlay, decorative features (benches, street trees, landscape areas), and street and pedestrian light poles. The district gateway was bid as an additive bid and not part of the determination of low bidder. The bid opening results were as follows:

<b>Contractor Name</b>	<b>Bid Award Amount</b>	<b>Gateway Additive Bid</b>
<b>Wilder Construction</b>	<b>\$5,811,524.00</b>	\$17,408.00
Marshbank Construction	\$5,856,657.40	\$27,200.00
SCI Infrastructure	\$6,391,424.95	\$27,200.00
Merlino Construction	\$6,448,286.00	\$18,713.60
Engineer's Estimate	\$5,010,625.00	\$10,880.00

The low bidder, Wilder Construction, has the reputation of doing very good work on our type of project, however, as you can see, the low bid is 16% over the engineer's estimate. KPG, who is our Engineer on this project, has reviewed the bids. Their analysis is attached for your information.

Several factors have contributed to this surprisingly high bid and are outlined in KPG's memorandum. The primary reason appears to be the rapidly climbing cost of materials and labor in the construction market.

Our check of other regional "road project" bids from the Daily Journal of Commerce (the most common paper of record for advertising and reporting on local construction projects) indicates that between June 14 and July 12 a total of 168 projects opened bids. 74 chose not to list an engineer's estimate. Of those that did list an engineer's estimate (94), 54% had engineer's estimates at or below the low bid and 46% above the low bid. This is very unusual. An even more unusual situation is that over half of the engineer's estimates that were below the low bid were between 10% and 67% under the bid with the average being 31%. This type of bidding climate has not been experienced in recent history. The record of our engineer, KPG, and their assigned project manager has been outstanding in predicting the bidding market. Since 1990, they have completed approximately 300 roadway projects and only been below the low bid four (4) times. Two (2) of those have been during this bidding period.

The contract allows 45 days (August 14) from bid opening to award unless the low bidder agrees to an extension. Wilder Construction has agreed to allow us to extend the award date to August 31. The last available scheduled council meeting during this award period is August 23.

**FINANCIAL IMPACT:** The remaining programmed project budget resources identified are \$6,261,760. The remaining scope of work is listed below. As you will see, it is estimated to be \$7,864,816:

NCBD low bid (Wilder Construction)	\$5,811,524
Construction contingency (10%)	581,152
Construction management & staff const. time	514,900
Neighborhood mitigation work	216,000
Traffic Sig. At 150 <sup>th</sup> & Ped. Signal at 147 <sup>th</sup>	432,000
Right of way acquisition costs	60,000
1% for arts	58,000
2004 engineering and staff PM services	<u>191,240</u>
Funds needed to complete CIP project scope	\$7,864,816

If the choice is made to award to the low bid, the total CIP project estimate would be \$9,126,044 after you add in all previous project expenses.

The difference between the available resources and those projected for full completion of the CIP scope for the corridor is \$1,603,056. This projected shortfall is made up of several components that I will describe. Approximately \$1,000,000 is construction market surprise we described under the background section of this report. \$800,000

shows in the difference between the engineer's estimate and the low bid. Another \$200,000 is the difference between what was estimated as the cost when originally planned for bidding in December 2003 and what the Engineer's estimate was at the time of bidding in June 2004. Another \$581,152 is our recommendation to have a reserve of 10% for construction contingency. The remaining \$21,904 is principally due to an adjustment in the 1% for the arts line item due to the higher bid cost.

The CIP project scope did not include any City dollars to underground utilities. It instead was based on all those costs being reimbursed by the appropriate utilities. These included Seattle City Light, Comcast, Quest, Electric Lightwave, Inc. and Shoreline School District. As we proceeded on the project design, staff was pursuing some if not full recovery of costs associated with undergrounding telecommunications facilities. We have been successful with Seattle City Light. To date, however, we have had minimal commitment from the telecommunication companies to participate other than to purchase some materials, remove poles and overhead lines and pull new lines through the conduit installed by our project. The low bid includes \$770,000 in contractor costs to construct these underground telecommunications conduit and vault facilities. Our available resources do not reflect any cost recovery at this time due to no financial commitments in hand from the telecommunication companies. Our City Attorney is continuing to review our options for recovering these costs.

Carrying the telecommunication undergrounding costs plus the construction market increases are the two biggest hits this project budget is taking. As we completed design and approached bid, we were reviewing potential cost cutting measures and uses of contingency to have a fundable project.

**OPTIONS TO BE REVIEWED:** Staff will review the potential options to move this project forward and their financial and administrative impacts. These include but are not limited to:

- Award bid and appropriate funds for project completion;
- Re-bid existing project at a later date;
- Reduce the scope of work and re-bid;
- Identify and pursue additional City and external funding sources;
- Phase improvements;
- Postpone the project until it can reprioritize with other CIP needs

Additional options will be evaluated as they are identified.

### **RECOMMENDATION**

No action is required at this time. Staff will return on August 23 with recommendations for proceeding on this project.

Approved By: City Manager  City Attorney \_\_\_\_\_



♦ Architecture ♦  
♦ Landscape Architecture ♦  
♦ Civil Engineering ♦

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## Memorandum

**Date:** July 2, 2004  
**To:** Jill Marilley  
**From:** Nelson Davis  
**Subject:** NCBD  
Review of bid information

As requested, we have reviewed the bid information received on July 1, 2004 for the North City Project and offer the following observations.

### GENERAL

The bid was divided into 4 schedules as follows:

Schedule A – Roadway Improvements  
Schedule B – Electrical Undergrounding  
Schedule C – Telecommunications Undergrounding  
Schedule D – Additive Alternate for Gateway Sign

3 of the 4 bids received for schedule A were within a 5% (\$180,000) grouping. Schedule B and C were divided into two schedules for funding purposes, but represent a single operation of work. 3 of the 4 bids received for the combined schedules B and C were within a 7% (\$140,000) grouping. As an additive alternate, Schedule D is not a factor in determination of low bidder, and therefore not necessarily indicative of a competitive bid value.

Given the close grouping of bids on the major items of work, we would conclude that the bids received are representative of the current realities in the construction market. The unit bid prices are relatively uniform among the 3 low bidders in each work category with no unusual loading of items observed. The major items of work that deviate from the engineer's estimate are summarized below.

### COMPARISON OF APPARENT LOW BID WITH ENGINEER'S ESTIMATE

For Schedule A, the apparent low bid exceeds the engineer's estimate by more than \$593K. Although there are typical variations in a number of unit price items, the majority of the difference is found in the following major work items:

- Mobilization (\$155K over estimate) – This is a front loaded item that typically quantifies the cost of risk, uncertainty, complexity, and general fear factor of the overall project. This is a complex job, with the Contractor responsible for coordinating and scheduling work with franchise utilities.
- Traffic Control Labor (\$55K over estimate) – High traffic control labor costs typically indicate that the Contractor believes that the effort required will be higher than anticipated in the bid proposal. We have also heard from Contractors that a surcharge has recently been applied to account for higher fuel prices.
- Asphalt Treated Base (\$75K over estimate) – This is probably due to a combination of higher oil prices and more labor intensive placement requirements than reflected in our estimate.
- Storm Drain Pipe (\$50K over estimate) – We understand pipe prices and delivery charges have risen dramatically in recent months. The pipe prices are much higher than we have seen on this size of job.
- Temporary Water Pollution / Erosion Control (\$70K over estimate) – Similar front loaded fear factor costs as described under mobilization. The second bidder had a similar front end cost associated with the business access signage.
- Cement Concrete Sidewalks/approaches (\$150K over estimate) – Concrete has been impacted by higher prices and delivery charges in the past few months. Once again, we have not seen these high of prices for sidewalk work on similar projects.
- Illumination System (\$165K over estimate) – The 'typical' lump sum for this work includes all conduits and trenching; however, the plans call for conduits and trenching to be included in the electrical work in schedule B. We have talked with the distributor, and material prices are similar to the pricing information we had when we prepared the estimate in January. It appears that the contractor bid the conduit in schedule A instead of schedule B as specified.

The low bid for the combined schedules B and C exceeds the engineer's estimate by \$208K. As these are lump sum items, it is difficult to offer any observations on individual work items; however, price increases in PVC pipe, concrete products, and fuel observed in schedule A would be expected to have a similar impact on this work.

### **CONTRACTOR FEEDBACK**

We spoke with representatives from 2 of the contractors on the plan holders list. One of the contractors did not submit a bid and the other submitted a high bid. They offered the following information on the current bidding environment and observations on the North City project:

- Price escalation on pipe, asphalt, steel, and concrete has been steep in the past few months. They initially hoped these were short term bumps, but as the trend continues, the bids are starting to reflect current or anticipated pricing.
- Fuel price increases have resulted in surcharges in almost everything (deliveries, traffic control, etc.). These are 'temporary' surcharges that may decline with fuel prices; however, they are also being used to recoup losses on fixed unit price contracts as actual material costs continue to increase. In this sense, they may last longer than the current bulge in fuel price.
- The complexity of this project provided for difficult bid preparation during the busiest time of the year for contractors. As 'estimators' are currently working in the field as 'project managers', some firms did not have the resources required to bid this project at this time.
- Project specifications assign much of the risk to the Contractor. This is reflected in up front costs such as mobilization. For example, contractor is required to coordinate with franchise utilities as required in order to complete the work on schedule. If the utility is not willing or able to complete the work, responsibility (and potentially cost) falls to the Contractor.
- Contractors have no history or track record on projects with the City of Shoreline. Given the size and complexity of the project, this could result in some conservative assumptions in pricing.

I hope this information meets your current needs. Please don't hesitate to call if you have any questions or would like additional information.