

Item #: 41
Date: 06/23/15

COUNCIL ACTION FORM

**SUBJECT: 2015/16 AIRPORT TERMINAL BUILDING AND HANGAR –
PHASE 1: SITE WORK**

BACKGROUND:

The City's 2015-2020 Capital Improvements Plan (CIP) includes a project to construct a new terminal building, itinerant hangar, and related site improvements at the Ames Municipal Airport. The total project budget is \$2,410,000, which includes \$867,000 in General Obligation (G.O.) Bonds; \$943,000 in G.O. Bonds abated by future revenues from the management agreement with a Fixed Base Operator (FBO); \$150,000 in a State of Iowa vertical infrastructure grant; and \$450,000 in federal entitlement funds.

This project is divided into two phases. The first is for the site improvements, and the second is for construction of the terminal facility. On Wednesday, June 17, 2015, bids for Phase 1 of this project were received as follows:

<u>Bidder</u>	<u>Base Bid</u>	<u>Bid Alt #1</u>
Engineer's Estimate	\$ 689,526.50	\$ 122,812.00
Absolute Concrete Construction	\$ 772,499.10	\$ 292,716.70
Con-Struct, Inc.	\$ 803,144.20	\$ 292,138.40
Manatt's, Inc.	\$ 820,080.75	\$ 278,481.75

Bid Alternate #1 included all related work necessary to move the airport runway and taxiway lighting controls from the basement of the existing terminal building over to a new, above ground electric vault. Because of funding constraints, it is recommended that the City Council reject Alternate #1 at this time and only consider the base bids. City Staff may propose a future year project to build the vault and demolish the old terminal building. In meantime, the lighting controls can remain in the existing terminal building, and space there can be leased to the FBO or other entities for airport-related services, thereby generating additional revenue to the City.

As shown above, the bids received are all significantly over the estimated cost for similar aviation projects in our area. The low bid is nearly \$83,000 over the engineer's estimate. Upon a detailed review of the bid items by staff and the consultant, a few bid items appear to contribute most to the higher costs. These items are mobilization and the required electrical work as part of the base bid.

Mobilization is the cost for the contractor to bring people, materials and equipment to the site, and is typically estimated to be 5% to 9% of a total project cost. In this case, the bids received reflected a range from 12% to 16% for mobilization, which equates to around a \$60,000 increase for this one item. With regards to the electrical work, there

are around five electrical contractors in our area that have the qualifications necessary to be a subcontractor on an airport project, due to the specialized nature of aviation lighting. In the case of these bids, however, the same electrical subcontractor provided bids for all of the prime contractors. This would most likely account for some of the increased costs seen in the electrical work.

This trend towards vastly increased mobilization costs is a relatively new phenomena, and Public Works staff has been evaluating this recent jump in mobilization prices as similar cost increases are being seen across all other public infrastructure projects. Staff is continuing to research the reasons behind this cost increase by speaking with adjacent communities and with local contracting companies. Thus far, it appears that the economic recovery and increased development activity has created an increase in construction projects for the contractors. That apparently is what has led to an escalation in bid prices above the City's recent experience, and the increases are oftentimes reflected in the mobilization line.

PROJECT FUNDING SUMMARY:

This overage in the site work phase of the project has a significant impact on the overall project budget. That impact must be clearly understood before the Council determines whether or not to award this contract based on the current bids.

Engineering and construction administration for Phase 1 of the project are estimated at \$140,000. Combined with the low bid, that brings the total estimated cost of Phase 1 to approximately \$912,500. Phase 1 will use all of the Federal (\$450,000) and State (\$150,000) funding, with the remainder to be paid with G.O. bonds approximately totaling \$312,500. This leaves an estimated \$1,498,000 for the Terminal Building itself. Architectural design for Phase 2 is estimated at \$260,000, leaving \$1,238,000 for Terminal building construction and for fixtures, furnishings and equipment (FFE).

A summary of expenses and available funding for the overall project is shown on the next page.

Revenues	
Federal	\$ 450,000
State	\$ 150,000
GO Bond	\$ 867,000
Bonds abated	\$ 943,000
Total Funding	\$ 2,410,000

Phase 1 (Site Work)	
Design	\$ 140,000
Construction	\$ 772,500
Phase 1 subtotal	\$ 912,500

Phase 2 (Terminal Building)	
Design	\$ 260,000
FFE (estimated)	\$ 100,000
Available Funds for Construction	\$ 1,137,500
Phase 2 subtotal	\$ 1,497,500

Schematic Terminal Building Size	6,985 sqft
Cost / sqft	\$ 162.85

The key number shown above is \$1,137,500. With the site bids now received, that appears to be the estimated funding available for construction of the terminal building.

The architectural firm's most recent estimate for a 6985 square foot building at \$250/sq. ft. is \$1,746,250, which far exceeds this amount. Due to the criticality of this estimate, staff asked Alliance, the architects on the project, to utilize a third party cost estimating company to provide detailed cost evaluations for the schematic design and each of the three roof variations that are being contemplated. However, that cost estimate was not yet available when this report was written. Staff hopes to have that more detailed and accurate cost estimate available by Tuesday night. Once staff has received and reviewed those estimates a determination of whether the \$1,138,000 budget for the terminal building is a feasible amount.

That evaluation will be critical to determine whether or not it is recommended that the City moves forward with the site work, and therefore the project as a whole. It is important to note that the City can apply for the Federal grant based upon the apparent low bidder without awarding the project. The FAA contracts allow for a period of up to 60 days for the sponsoring jurisdiction to evaluate the project and still receive the FAA funding.

As of the current fiscal year, the City of Ames has \$450,000 in Federal entitlement funds to be used towards the terminal building project. A General Aviation airport can bank up to 4 years of entitlement funding, or a maximum of \$600,000, before the City would

begin to lose those annual entitlements. Therefore, the City would not lose any Federal funding for at least another year if there are significant project delays.

ALTERNATIVES:

- 1a. Accept the report of base bids only for the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work), thereby rejecting bids for Alternate #1.
- b. Approve the final plans and specifications for the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work).
- c. **Delay Award** of the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work) until a determination on the feasibility of the funding has been established.
- 2a. Accept the report of base bids only for the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work), thereby rejecting bids for Alternate #1.
- b. Approve the final plans and specifications for the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work).
- c. Award the 2015/16 Airport Terminal Building and Hangar (Phase 1: Site Work) to Absolute Concrete Construction of Slater, Iowa, in the amount of \$772,499.10, conditional upon FAA concurrence and receipt of an approved FAA grant.
3. Reject the base bids and bid alternate #1, thereby delaying the terminal building improvements until such a time that both the site work and the terminal building are ready to bid together.

MANAGER'S RECOMMENDED ACTION:

Receiving higher than expected bids on this site work requires additional time and effort by staff for evaluation.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the report of bids on Phase 1 of this project, rejecting Alternate #1 for the electrical controls, approving the final plans and specifications, and delaying award of bids.

Prior to Tuesday evening, staff will endeavor to secure and review the more detailed cost estimate, determine whether the planned terminal and site improvements are feasible within the established budget, and meet with our local funding partners (ISU and the private funding source) to determine what steps might be taken to deal with this funding shortfall.