

## COUNCIL ACTION FORM

### **SUBJECT: POWER PLANT BOILERS REPAIR AND MAINTENANCE CONTRACTS**

#### **BACKGROUND:**

The City of Ames Electric Utility has two coal-fired boiler, high-pressure steam generation units within the City of Ames Power Plant. These units require regular professional maintenance and repair. The repair of the boilers on these generation units requires professional trade crafts such as boilermakers, steam/pipe fitters, and millwrights. The professional crafts are certified to install and repair the high-pressure vessel and tube equipment and other apparatus of the boiler units. The most important aspect of this work is to provide the dependable high pressure certified welds, required by State code.

The City's emergency boiler repair procedure, in the past, was to call in contractors to perform the necessary repairs when needed. This often left the City exposed to market forces regarding prices and availability for labor, travel, and supplies. In preparation for a scheduled outage, the staff would seek quotes for these specific tasks. The extent of work required was not known until the boiler was shut down and inspected. As a result, a great deal of time was expended by staff to contract for these services.

On June 10, 2008, City Council awarded a contract to Plibrico Company, LLC, Omaha, NE, for boiler repair and maintenance to be furnished as requested through June 30, 2009, with four optional twelve-month renewal periods. It was staff's intent to find qualified professional firms that could handle the needs of the Plant, respond to emergencies within a reasonable time frame, and deliver services at the lowest possible cost to the City. One of the goals of a long-term contract is to reduce costs by securing rates for labor, travel, equipment, and materials. Another goal is to make optimal use of staff time in securing these services. The Electric Services staff believes these goals are being achieved through the existing contract with Plibrico Company.

The 2009/10 contract renewal with Plibrico Company, LLC, Omaha, NE, includes labor rate increases. These increases are being passed on to us and do not contain any margin increases by Plibrico. There are five labor classifications supplied by Plibrico, and the average rate increases for each compared to 2008/09 are as follows: Boilermaker 3.97%, Bricklayer 7.50%, Laborer 10.13%, Millwright 6.79% and Steamfitter 6.87%. The actual cost increase to the City as a result of these union settlements will depend on the workers actually used on a job.

The 2009/10 contract also contains a scheduled labor classification rate increase in the middle of the contract period on Boilermakers only. This increase is related to the provider's union contracts that contain a scheduled rate adjustment which it is passing

on to us. The adjustment will be implemented January 1, 2010, with an average rate increase of 2.50% over the initial rates of the first half of 2009/10.

The approved 2009/10 operating budget at the Power Plant includes \$1,370,000 for this contract. Invoices will be based on time and materials of services required at the Plant.

**ALTERNATIVES:**

1. Approve the contract renewal with Plibrico Company, LLC, Omaha, NE, for the boiler maintenance and repair services for the one-year period from July 1, 2009, through June 30, 2010, and approve Plibrico's contract and bond. Actual payments will be based on time and material rates in an amount not to exceed \$1,370,000.
2. Do not renew the agreement and instruct staff to seek new competitive proposals.

**MANAGER'S RECOMMENDED ACTION:**

This work is necessary to ensure that a qualified professional firm will respond to both scheduled and emergency needs for boiler repair and maintenance, and that costs are controlled by having established billing rates. Funds will be expended only as work is required and in accordance with approved invoices.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, approving the contract renewal with Plibrico Company, LLC, Omaha, NE, for boiler maintenance and repair services for the period from July 1, 2009, through June 30, 2010 and approving the company's contract and bond.