

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR REPAINTING OF BLOOMINGTON ROAD ELEVATED TANK

BACKGROUND:

The Bloomington Road Elevated Tank (BRET) is a 2,000,000-gallon steel tank which was constructed in 1989. With the new tank at State Avenue and Mortensen Road now in operation, the Water Plant can temporarily take BRET out of operation for two maintenance activities.

The first part of the overall BRET maintenance capital improvement project is the installation of a mixing system. On December 22, 2009, City Council awarded a contract in the amount of \$53,000 for this work. The second and most significant maintenance activity to take place will be the repainting of the tank. The tank has not been painted since the original construction 20 years ago. It needs repainting to prevent corrosion and to maintain its appearance.

This project was first shown in the 2004-2009 Capital Improvements Plan (CIP), and the budget estimate was last updated in 2007. The approved budget includes \$75,000 for the mixing system, and \$400,000 for repainting the tank. Development of the plans and specifications and the engineer's cost estimate was completed last fall by the department's licensed professional engineering staff. The engineer's estimate for the base painting project is \$919,000.

On December 8, 2009, City Council authorized preliminary approval of the plans and specifications and Notice to Bidders. The base bid included the cost to fully sandblast and repaint the entire tank. Because the engineer's estimate exceeded the available project budget, staff also included an "alternate deduct" to replace the full exterior sandblast with a high-pressure wash, then a "spot" or localized sandblast and overcoat of the existing exterior paint. This option has a lower cost but also a shorter expected life for the paint system. A simple life-cycle cost analysis suggests that, over the life of the tank, the long-term maintenance costs are nearly identical for the spot-blast option as compared to the full sandblast option. An adhesion test was conducted by a paint manufacturer's representative on the existing paint to confirm that an overcoat system is a viable option. An "alternate add" option provides new inlet pipe insulation and covering to replace the original insulation that has broken down and needs to be replaced.

On January 14, 2010, bids were opened for the project. A summary of all bids is shown below. Staff was disappointed to receive only three bids from the seven sets of documents issued to potential bidders. Staff contacted another Iowa municipality that

recently bid an elevated tank repainting project and learned they had received a total of six bids. Staff next contacted each firm that received a bid package for the BRET project but did not submit a bid to learn why they did not respond. Reasons given included workload issues, timing, travel distance, and the requirement of full containment in the base bid. A fourth firm was determined to be a division of Maguire Iron, Inc. which did bid the project. No two firms had the same reason for not submitting a bid.

	Engineer's Estimate	J.R. Stelzer Company	TMI Coatings Inc.	Maguire Iron, Inc.
Base Bid	\$919,000	\$712,570	\$988,400	\$1,564,350
Minus Alternate Deduct	(\$364,000)	(\$152,000)	(\$320,000)	(\$966,070)
Base Bid Minus Alternate Deduct	\$555,000	\$560,570	\$668,400	\$598,280
Plus Alternate Add	\$20,000	\$16,200	\$8,500	\$35,770
Base Bid Minus Alternate Deduct Plus Alternate Add	\$575,000	\$576,770	\$676,900	\$634,050

Staff recommends accepting the alternate deduct to perform a less-extensive spot sandblasting and overcoating instead of the base bid that would completely sandblast the tank exterior to bare metal before repainting. Staff is also recommending the City accept the alternate add for pipe insulation because the original insulation has deteriorated significantly and needs to be replaced.

The estimated BRET maintenance costs and available funding are as follows:

BRET Maintenance Construction Estimate

Mixing System

Construction	\$53,000	
Contingency, 10%	<u>5,300</u>	
		\$58,300

Repainting

J.R. Stelzer Base Bid	712,570	
Alternate deduct	- 152,000	
Alternate add	16,200	
Contingency, ~10%	<u>57,930</u>	
		634,700

Miscellaneous Expenses

Outside Inspection	20,000	
Site Restoration	<u>10,000</u>	
		<u>30,000</u>

Total Estimated BRET Maintenance Expenses		<u>\$723,000</u>
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Available Funding

Current FY 2009/10 CIP	\$475,000
Savings from SAM Elevated Tank Project	<u>248,000</u>
Total Available	\$723,000

The SAM tank project savings (approximately \$303,000) were realized in the last fiscal year and were returned to the available Water Fund balance. As shown above, staff is recommending that \$248,000 from savings on that project be re-allocated to the BRET repainting project. Should Council elect to proceed with the base bid to fully sandblast the tank exterior, additional funds would need to be allocated from the Water Fund available balance. Upon approval by City Council, the repainting work will begin in May and be scheduled for completion in September 2010.

Staff recommends against rejecting bids and rebidding the work this year. Conversations with bidders and potential bidders have not revealed anything to suggest that rebidding would result in significantly different bid prices. The only improvement staff identified would be to delete the full sandblasting and bid the spot-blast option as the base bid. This might increase the number of bidders by one.

Rebidding would delay the start of the work and may jeopardize the ability to complete the work this summer. However, a one-year delay would not create a significant structural concern for BRET. Other activities related to the painting project have already been initiated, such as the installation of the mixing system and the temporary removal of the cell phone antennas mounted on the tank. If Council chooses to delay the work, staff has already confirmed that the contractor installing the mixing system is amenable to delay the work if the City would accept a change order to pay now for materials already ordered and a \$3,000 increase to cover their administrative costs for the delay. Alternately, they would be willing to complete the work now and provide spot painting where their welding would damage the existing paint for a change order amount of \$7,000.

In light of the significant difference between the 2007 project estimate and the actual bids received, Water and Pollution Control engineering staff is initiating a new review process to update every CIP project's cost estimate each year.

ALTERNATIVES:

1. Award a contract in the amount of \$576,770 to J. R. Stelzer Company of Lincoln, NE for the base bid with alternate deduct of \$152,000 and alternate add of \$16,200. Also authorize appropriate funding changes, as described above, to add \$248,000 from the available Water Fund balance to the BRET repainting project.

2. Reject all bids and rebid the BRET repainting project for work to be completed in 2010, removing full containment as a bid option.
3. Reject all bids and rebid the BRET repainting project later in 2010 for work to be completed in 2011. Remove full containment as a bid option, and direct staff to negotiate a change order with the mixing system contractor.
4. Reject all bids and do not pursue the BRET repainting project at this time.

MANAGER'S RECOMMENDED ACTION:

The Bloomington Road Elevated Tank will be taken out of service for maintenance in 2010. The largest maintenance item is repainting of the tank to prevent corrosion and to maintain the tank's appearance. An alternate deduct to the base bid replaces the full exterior sandblast with an overcoat system. An alternate add provides new inlet pipe insulation. J.R. Stelzer Company offers the lowest of three bids received for this project.

Existing project funds are not sufficient for this entire project. Staff has evaluated the bids and has identified nothing to suggest that rebidding would result in lower bid prices. Fortunately, savings from last year's SAM elevated tank project are available to supplement this repainting project.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving a \$576,770 contract to J. R. Stelzer Company and authorizing appropriate funding changes as described above.