

**COUNCIL ACTION FORM**

**SUBJECT: POWER PLANT BOILERS REPAIR AND MAINTENANCE CONTRACT**

**BACKGROUND:**

The City's Electric Utility has two coal-fired boiler, high-pressure steam generation units within the City's Power Plant. These units require regular professional maintenance and repair. This consists of emergency, as well as planned repairs and service. The repair of the boilers on these generation units requires professional trade crafts such as boilermakers, steam/pipe fitters, and millwrights. The crafts are certified to install and repair 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, prior to 2006 , was to call in contractors to perform the necessary repairs when needed. This often left the City exposed to market forces. Staff would seek quotes for these specific tasks. The extent of work required was not known until the boiler was shut down and inspected.

Proposals were first received in September 2005 for a consolidated contract for boiler repair and maintenance services to be performed through June 30, 2006. It was the intent of staff to find qualified professional firms that could handle the needs of the Power 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 in advance. Another goal is to make optimal use of staff time in securing these services. The original contract was awarded by City Council in January 2006. That contract included two twelve-month renewal options, both of which were later approved by the City Council.

The current Iowa Bid Law became effective on January 1, 2007; and the bids issued for these services comply with statutory requirements as well as the City's own purchasing policy.

Council awarded the current contract to Plibrico Company, LLC, Omaha, NE, on June 10, 2008, for boiler repair and maintenance to be furnished as requested during 2008/09. That contract included four optional twelve-month renewal periods and was renewed by City Council for 2009/10 on May 26, 2009.

The proposed 2010/11 contract renewal with Plibrico Company, LLC, Omaha, NE, includes labor rate increases. Craft labor for the work is provided through union halls.

Labor rate increases are related to the union contracts that contain scheduled rate adjustments. The contractor is passing those price adjustments on to the City. **Plibrico Company, LLC has assured staff that the rates do not contain any contractor margin increases above the union hall rates.**

Five labor classifications are supplied by Plibrico. The rates for Bricklayers, Laborers, Millwrights, and Steamfitters would increase July 1, 2010. The average rate increases for each compared to 2009/10 are as follows: Bricklayer 2.38%, Laborer 3.10%, Millwright 4.52%, and Steamfitter 2.30%. The rate increase for Boilermakers only would be effective January 1, 2011. The proposed rates for Boilermakers for the period July 1, 2010, through December 31, 2010, would not increase from the rates that became effective January 1, 2010. The average rate increase for Boilermakers in the second half of 2010/11 would be 5.45% over the initial rates of the first half of 2010/11. It should be noted that any contractor which would provide these on-call maintenance services in a new bid process would hire the needed craftsmen out of the union hall, and thus be subject to the same union rates as Plibrico.

The approved 2010/11 Power Plant operating budget includes \$870,000 for this contract. Invoices will be based on contract rates for time and materials for services actually received at the Power Plant. Electric Services staff believes that the goals for this consolidated contract are being achieved through the contract with Plibrico Company, LLC.

#### **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, 2010, through June 30, 2011, and approve the company's contract and bond. Actual payments will be based on time & material rates in an amount not to exceed \$870,000.
2. Do not renew the agreement and instruct staff to seek new competitive bids. Since the union labor rates apply to all work done for the crafts regardless of general contractor, any price changes would only be to the contractor margin.

#### **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 controls costs 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 #1 as shown above.