

COUNCIL ACTION FORM

SUBJECT: CITY HALL RENOVATION PROJECT BIDS

BACKGROUND:

On July 10, 2012, bids for the City Hall renovation project were reported to the City Council. The bids that were received were significantly over available funding for the project, with the lowest base bid at \$1,529,720; and were subsequently rejected. Staff was directed to work with the architect to rebid the project as quickly as possible. Revised plans and specification were approved by Council three days later, and a bid opening date of August 2nd was established.

In an effort to cultivate the best bids possible, staff sought contractor input on this re-bid project at a July 26th pre-bid meeting. Based on that input, on July 30th Council deleted the basement portion of the building and made other changes designed to increase competitiveness.

Cost estimates for the original project are shown below:

Design	\$ 116,500
Construction Management	\$ 30,000
Construction	\$ 1,003,835
Construction contingency @ 8%	\$ 80,307
Equipment (separate from construction contract)	\$ 110,354
Total Project Cost Estimate	\$ 1,339,496

Project funding is as follows:

Funding Source	Total Amount	Available for Design & Construction	Available for Equipment
General Fund appropriation	\$800,000	\$800,000	
Homeland Security Grant	\$600,000	\$551,000	\$49,000
Department of Justice Grants		\$61,354	\$61,354
Total Available Funding	\$1,461,354	\$1,331,000	\$110,354

On August 2nd, the following bids were received:

Bidder	Base Bid (Entire Police area)	Alternate Deduct (Remove Police Administration area)	Net Bid (Without Police Admin. Area)
Larry Elwood Construction	\$1,515,660	(\$227,532)	\$1,288,128
R.H. Grabau Construction, Inc.	\$1,648,000	(\$243,000)	\$1,405,000

Upon review of the bid documents, it was discovered that Larry Elwood Construction did not submit all required attachments with their bid. Their bid has thus been determined to be non-responsive.

Unfortunately, once again the bids received far outstrip identified funding for this project. That makes it highly unlikely that we will be able to proceed with these needed improvements at this time.

Outlined below is an analysis of factors that may have contributed to these bids twice coming in so much higher than budget. Potential reasons *to proceed* and *not to proceed* with a project award are also presented.

Major Questions & Issues

- **How reliable was the cost estimate upon which the budget was established?**

The original bids came in 54% over the architect's budget estimate. This far exceeds what would be expected from normal bid variation. The second round of bids clearly did not improve on this situation. Possible reasons include the following:

- *The architect's and affected City departments' work on the design development phase extended longer than anticipated. This led to the project being bid during the busy summer season, rather than during winter.*
- *Although the architect's project budget did not include a make-up air unit on the building roof, the firm's mechanical engineer later insisted that this expense was necessary to meet code requirements. This added an estimated \$150,000-200,000 to the bids.*
- *During the course of the design, it was determined that relocating the City's print shop within the basement would provide the most efficient overall use of basement space. This addition added cost to the project.*
- *The extent (and cost) of mechanical work increased during project design, due to problems encountered during the recent City Hall heat pump replacement project (which was also designed by Shive-Hattery, Inc.). This, combined with the make-up air addition, led the low bidder on the*

original bidding to report that 41% of his bid cost related to mechanical work. That is a very high and costly proportion for this type of construction project.

- **Why were there fewer bidders the second time the project was bid?**

The architect contacted several general contractors who took out plans for the rebidding, but ultimately did not submit bids. He reported that one company said they were aware that this was a rebid and felt that the budget was tight, and felt that this might lead to difficulties during construction, which was why they opted to not bid. He reported that four other companies responded that it was a matter of bad timing and that they had ultimately committed to bidding other projects that were occurring at the same time. Furthermore, during the pre-bid meeting two of these contractors indicated that they were having a difficult time getting subcontractors to submit bids due to the way the bid was packaged (i.e., a larger base bid with significant alternate deducts; rather than a smaller base bid with alternate adds).

- **Is it possible to get an extension on the Homeland Security grant?**

Initial indications are that there is only a slim chance of getting this grant extended. The Iowa Department of Homeland Security and Emergency Management has indicated that FEMA, the federal agency administering this grant, has shortened the time frame for completion of this and similar grants and insists that the May 31, 2013 date for final completion is a hard deadline. There is a process for requesting an extension of the grant deadline though, and staff will pursue this possibility with FEMA in the hopes of preserving this grant for a future re-bid of the EOC project. A meeting with FEMA staff is being arranged for the middle of the August. IF the grant time could be extended, it was the architect's recommendation that bids not be taken again until the more competitive December to January time frame.

If the grant cannot be extended, staff will alternately seek to determine if only the equipment portion of the grant (\$49,000) can be preserved, even though a new EOC would not be constructed. The equipment portion would provide furnishings and electronics, including radio and computer functionality, for an EOC. Funds for equipment could be expended within the existing grant timeline.

- **How would costs compare if we did this project at a later time without the Homeland Security grant? That is, would potential savings from removing the May 2013 deadline and all of the federal bidding requirements come close to replacing the lost \$600,000?**

Based on limited information, it is staff's estimation that removing these grant requirements could potentially save \$150,000-200,000 in the bids.

Reasons To Proceed with the Project at this time

Notwithstanding the repeated high bids received, possible advantages of awarding the project might include the following:

- The City would retain the \$600,000 Homeland Security grant for a new Emergency Operations Center.
- Costs to meet the Mechanical Code's more stringent make-up air requirements is projected to increase next year.
- The cost of bids received, as well as the small number of bids during rebidding, may demonstrate that this project simply is more expensive than budgeted. If this is true, then bids to do this same work could be even more expensive in the future.
- Without moving forward, the Police Department's Communications Center will continue to be inadequately sized for on-duty staff.
- Without moving forward, we will continue to underutilize space in the Police Department (e.g., jail cells, large public hallway).
- Without moving forward, the aging heat pumps in the Police Department will continue to be replaced one-by-one as they fail.

Reasons to NOT Proceed with Project at this time

Likewise, there are a number of reasons and possible advantages to not proceed with a project award. These include the following:

- First and foremost, the budget shortfall on this project exceeds \$500,000 for the entire Police area, and \$300,000 if the administration area is eliminated.
- We are not confident that we received the most competitive bids on this project, as was shown by bidder attrition during the rebidding phase.
- We are currently in a very busy construction time locally, with many subcontractors already fully engaged in projects for ISU, the Ames Community School District, Mary Greeley Medical Center, etc.
- The exceptionally large differential between our architect's cost projection and the actual bids received both times has weakened our confidence in this architectural/engineering firm.
- At the recent pre-bid meeting, potential bidders identified a number of bidding challenges that were created for them in the current process. Should the project

be re-bid at a later time, we will take advantage of bidders' suggestions to help them submit more competitive bids.

- Approaching our EOC needs afresh may open up a wider range of alternatives, such as utilizing the anticipated meeting room at the new water treatment plant as the City's primary EOC.
- Approaching City Hall renovations afresh or in smaller increments may create opportunities to explore more cost-effective alternatives to address the make-up air issue.
- It is possible that we may be able to retain \$49,000 of the Homeland Security grant to procure equipment. If so, that equipment could be used in our existing EOC, as well as in any future, larger EOC.
- Most of the \$61,354 in Department of Justice grants could still be used, and the equipment can be used now and/or re-used as part of a future Police Department renovation.
- Awarding a bid of \$1,648,000 to renovate only the Police area creates a marked sense of disproportion and loss of value, since the original low bid of \$1,529,720 would also have included renovation of the basement space.

In the event that Council desires to award a bid to accomplish all or a portion of this project as currently bid, the following could be considered as additional funding sources:

- \$100,000 in prior years' CIP carry-overs for City Hall capital items
- General Fund available balance
- Local Option Fund available balance

Should Council choose to reject all bids and pursue elements of the City Hall renovation project in alternate ways at later times, available carry-over funding would be as follows:

Funding Source	Amount
General Fund appropriation	\$800,000
Less:	
Obligated design fees	(\$115,000)
Estimated reimbursable costs during re-design phase	(\$1,500)
Advertising expense	(\$72)
Plus:	
A/E firm savings for construction phase	\$26,880
Total funding available:	\$710,308

ALTERNATIVES:

1. Accept the report of bids received on the City Hall Renovation project and reject all bids.
2. Award a bid to R.H. Grabau Construction, Inc., for either the base project at a cost of \$1,648,000, or for the base project less the alternative deduct (Police administration area) at a cost of \$1,405,000; with additional funding as identified by Council.

MANAGER'S RECOMMENDED ACTION:

It is clear that the City has a pressing need to improve the areas allotted to the Police Department in City Hall, including a more adequately sized Emergency Operations Center. Further, our Information Technology staff could function much more efficiently and effectively in City Hall, rather than in second floor rented space off-site. Planned improvements could also have improved basement space used by the City's print shop and Public Works Engineering.

Nonetheless, two efforts to bid out this project have been unsuccessful in securing bids remotely close to the projected cost. **It simply does not seem like a wise use of taxpayer dollars to award such a bid for the Police area at this time.**

Therefore, it is the recommendation of the City Manager that the City Council accept Alternative #1, thereby accepting the report of bids on the City Hall Renovation project and rejecting all bids.

Moving forward, staff will undertake several actions so that the various phases of this renovation project can be accomplished at a later time. If a grant extension is received, this would likely involve rebidding the existing project at the end of this year. If a grant extension is not possible, staff would reexamine how best to phase this project. Since the grant performance deadline drove many aspects of the current bidding approach, proceeding without the grant would provide more flexibility to the project. This could involve a Police renovation phase, a basement renovation phase, and exploration of including a new EOC as part of the upcoming Water Treatment Plant project. Staff will bring a revised plan to accomplish these goals to Council later in the year when more information is known about possible additional funding sources.