

COUNCIL ACTION FORM

SUBJECT: UNIT 8 BOILER REPAIR PROJECT – CHANGE ORDER NO. 1

BACKGROUND:

Unit 8 is one of two boilers at the City's Steam Electric Plant and is now 38+ years old. Due to age, a history of firing coal and natural gas (since 2016), along with co-firing refuse derived fuel (RDF), the boiler is in critical need of repair, especially the tubes in the superheater.

At its regular meeting on November 24, 2020, the Ames City Council approved awarding the Unit 8 Boiler Repair Project to TEi Construction Services, Inc. (TEiC) of Duncan, South Carolina, for the bid amount of \$6,690,271.

During the evaluation of TEiC's bid, it was noticed that the sales tax amount did not appear to be correct. After several conversations with TEiC, the bidder determined that the total sales tax obligation was \$409,231, not the \$39,907 that was included in the bid. **Therefore, in addition to the bid amount of \$6,690,271, a Change Order needs to be approved in the amount of \$369,324 to account for the additional sales tax obligation.** The total price necessary to complete the scope of work is now \$7,059,595 as a result of adding the Change Order for the increase in the amount of sales tax to the bid proposal.

City staff was aware of the sales tax calculation issue at the time the bids were awarded, and the City Council was alerted in the November 24 bid award Council Action Form that a change order would be requested to correct the sales tax. **As noted in that Council Action Form, even with the adjustment for sales tax, TEiC's bid is \$1,335,760.05 less than the next bid, and \$1,514,405 less than the Engineer's Estimate.**

Funding in the amount of \$7,399,455 is available in the Capital Improvements Plan for this project, which is sufficient to cover the original bid amount plus this change order.

ALTERNATIVES:

1. Approve Change Order No. 1 to TEi Construction Services, Inc. of Duncan, SC in the amount of \$369,324.00 to adjust the additional sales tax obligation that was not included in the original bid.
2. Do not approve the requested change order.

CITY MANAGER'S RECOMMENDED ACTION:

This project will greatly improve the availability and reliability of Unit 8. It is crucial that the project proceed in order to increase the Power Plant's reliability to produce electricity and burn refuse derived fuel. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.