CONSENT AGENDA

AGENDA ITEM 12.08
TO: Mayor and City Council

FROM: Gordon A. MacKay, Director
        Public Works Department

SUBJECT: REJECT BIDS – CESAR CHAVEZ LIBRARY HEATING, VENTILATION,
        AND AIR CONDITIONING (HVAC) IMPROVEMENTS (PROJECT
        NO. 11-24)

RECOMMENDATION

It is recommended that the City Council approve a motion authorizing the City Manager to
reject bids for the Cesar Chavez Library HVAC Improvements (Project No. 11-24). It is
further recommended that the motion authorize the City Manager to take appropriate
actions to carry out the purpose and intent of this motion.

Summary

The Cesar Chavez Library HVAC Improvements (Project No. 11-24) include the
replacement of old equipment, upgrades to the automated temperature controls, and
installation of new pumps and variable frequency drives. The new equipment and
measures are intended to reduce energy consumption, while improving the reliability
and performance of the HVAC system.

The project was first advertised on May 18, 2012. During the bid period the chiller
failed. Constant maintenance was required to keep the system partially functional until
a temporary chiller could be installed as part of the first stage of construction.
Unfortunately, only one bid was received, and it was well over the project construction
budget. Staff recommended that the bid be rejected, and on July 24, 2012, Council
officially rejected the bid (Motion No. 2012-07-24-1212). Because the project would
now be delayed, and constant maintenance of the failing chiller was not sustainable,
two used chillers (primary and backup) were purchased and installed by Facilities
Maintenance staff to ensure reliable cooling to the building.

Staff researched the reasons for the low bidder turnout and project cost. Based on the
information found, the project was modified and readvertised on August 31, 2012. Staff
contacted several contractors to encourage bidding, and a mandatory job walk was
attended by seven potential bidders.

On October 18, 2012, two bids were received. Despite the modifications to the project,
the lowest bid is again significantly over the project construction budget. Accordingly,
staff recommends that the bids for revised Project No. 11-24 be rejected. Facilities
Maintenance staff is currently replacing the temporary connections for the existing
chiller with permanent connections and making other minor modifications. These
actions will ensure that the system is functional while the project scope is re-evaluated
REJECT BIDS – CESAR CHAVEZ LIBRARY HEATING, VENTILATION, AND AIR CONDITIONING (HVAC) IMPROVEMENTS (PROJECT NO. 11-24)

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prior to rebidding. Although the “used” chiller has been able to accommodate the system demand to date, a supplementary, smaller high efficiency chiller will be needed to provide adequate cooling on extremely hot days. This smaller chiller would be used as the primary unit on low demand days to maximize efficiency. The final modified project will also include electrical and control upgrades to maximize the energy efficiency of the existing equipment.

DISCUSSION

Background

The Cesar Chavez Library HVAC Improvements (Project No. 11-24) was developed in 2011 to address system reliability issues resulting from old and outdated equipment. The scope of the original project included replacement of the boiler, chiller and cooling tower, upgrading of the automated temperature controls, and installation of new pumps and variable frequency drives. These improvements were designed to save energy, improve reliability, and eliminate a maintenance burden for City staff.

The project was first advertised on May 18, 2012. During the bid period the chiller failed. Constant maintenance was required to keep the system partially functional. As Project No. 11-24 required installation of a temporary chiller as the first phase of construction, staff concluded that the constant maintenance could be sustained for a short period of time until the project was awarded. However, only one bid was received for the project, and at $957,355 it was well over the project construction budget (including all contingencies) of $784,514. Staff recommended that the bid be rejected, and on July 24, 2012, Council officially rejected the bid of Wagner Mechanical, Inc. (Motion No. 2012-07-24-1212).

Once it was known that Project No. 11-24 was delayed, Facilities Maintenance staff began researching alternatives to make the cooling system functional and eliminate the constant maintenance. Staff sourced two used chillers that could be installed to replace the failed unit. These units were for sale as a set, and were acquired at a total cost of $10,000. Staff installed one of the used chillers with temporary connections, and the system was functional as of August 20, 2012. The second unit was retained for use as either a backup or as a parts source. This creative action by maintenance staff eliminated the immediate need to install a new, large chiller; however, the remaining system upgrades were still needed.

In order to reduce the estimated cost of the project prior to rebidding, engineering staff reduced the scope of work based on input from contractors, the project designer, and maintenance staff. The revised scope for the base bid gave priority to equipment temperature controls, postponed replacement of the boiler, and utilizing the chiller installed by Facilities Maintenance staff on a permanent basis, in combination with a
new high efficiency chiller. The revised project also included bid alternates to add improvements to the dampers and fans in the ducting system, and to install a new boiler.

The modified Project No. 11-24 was advertised on August 31, 2012. Prior to the bid opening, staff made contact with area contractors to encourage and attract more bidders. A mandatory job walk was held on September 10, 2012, and was attended by seven potential bidders.

Present Situation

On October 18, 2012, two bids were received as follows:

<table>
<thead>
<tr>
<th>CONTRACTOR’S NAME</th>
<th>BASE BID</th>
<th>ALTERNATE #1</th>
<th>ALTERNATE #2</th>
<th>ALTERNATE #3</th>
<th>ALTERNATE #4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champion Industrial Contractors, Inc.</td>
<td>$904,100</td>
<td>$57,654</td>
<td>$4,250</td>
<td>$4,900</td>
<td>$126,300</td>
</tr>
<tr>
<td>Wagner Mechanical, Inc.</td>
<td>$973,348</td>
<td>$22,692</td>
<td>$3,519</td>
<td>$7,658</td>
<td>$81,712</td>
</tr>
<tr>
<td>Engineer’s Estimate</td>
<td>$575,847.93</td>
<td>$13,750</td>
<td>$9,500</td>
<td>$3,750</td>
<td>$63,400</td>
</tr>
</tbody>
</table>

The efforts to modify the project, along with a slight increase in competition, produced only an approximately $50,000 reduction in overall project cost, as compared with the previously advertised project. Consequently, the lowest bid is still considerably over the project construction budget. Staff investigated the discrepancies in the Engineer’s Estimate from actual bid amounts, and found significantly higher than anticipated costs in the following areas:

- Large equipment, such as the high efficiency chiller and cooling tower
- Temperature controls (Siemens system) for the overall system and components
- The control system (Kiltech system) for the tower, chiller, and pumps
- Overall labor costs associated with work space restrictions, dismantling and removal of the existing tower, chiller, and general demolition activities

Staff recommends that the bids for revised Project 11-24 be rejected. Facilities Maintenance staff is currently replacing the temporary connections for the existing chiller with permanent connections and making other minor modifications. These actions will ensure that the system is functional while the project scope is re-evaluated.
It is anticipated that the final modified project will not include replacement of the cooling tower and the cooling tower controls, a significant cost item in the previous bids. The tower, although old, is in reasonable condition and can be maintained effectively. The modified project will include installation of a small, high efficiency chiller. This unit would be used as the primary unit on low or average demand days in order to maximize efficiency. The "used" unit would become the secondary unit to provide adequate cooling on very hot days. The modified project will also include electrical and control upgrades to replace antiquated equipment and further increase the efficiency and reliability of the system.

FINANCIAL SUMMARY

There is no impact to the City's General Fund or to any other unrestricted fund as a result of taking the recommended action.

Respectfully submitted,

GORDON A. MACKAY, DIRECTOR
PUBLIC WORKS DEPARTMENT

APPROVED

KURT O. WILSON
DEPUTY CITY MANAGER

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