TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: PUBLIC WORKS
DATE: FEBRUARY 13, 2006 CMR:145:06
SUBJECT: MUNICIPAL SERVICE CENTER FUEL STORAGE TANKS AND FUEL STORAGE ISLAND REPLACEMENT (CAPITAL IMPROVEMENT PROGRAM PROJECT VR-01001): REJECTION OF CONSTRUCTION BIDS

RECOMMENDATION
Staff recommends that Council:

1. Reject all bids received for construction of the Municipal Service Center Fuel Storage Tanks and Fuel Storage Island Replacement (Capital Improvement Program Project VR-01001).

2. Redirect use of the consultant’s construction administration fee to instead reduce the scope of the project and break the project into two separate projects: a conventional fueling portion and a compressed natural gas (CNG) fueling portion.

3. Direct staff to rebid the work.

DISCUSSION
Project Description
Construction bids were advertised for the installation of new underground fuel tanks, a natural gas compressor, dispensing equipment and all associated piping, electrical systems and leak detection systems at the Municipal Service Center (MSC). This project was included in the FY 1999-2000 Adopted Capital Budget, Project VR01001.

This new fueling station, which will be located at the east side of the MSC, includes provisions for the storage and dispensing of unleaded gasoline, diesel, compressed natural gas (CNG), propane and an alternative “clean” liquid fuel, such as synthetic diesel (“biodiesel”) or ethanol. This new facility will replace the existing, thirty-seven year old fueling facility that is well beyond the end of its useful life and needs to be replaced.

Staff is currently studying the feasibility of locating auto dealerships on the MSC site. Should an auto dealer ever occupy the site, the fuel station could be modified for use by the dealer or it could be relocated for use at a new MSC location.
Design of the project was completed and bids advertised in November 21, 2005, and bids were opened on January 3, 2006. Two bids were received with a low bid of $2,165,232 which is $965,232 over the engineer’s estimate of $1,115,000.

**Summary of Bid Process**

<table>
<thead>
<tr>
<th>Bid Name/Number</th>
<th>MSC Fuel Station Relocation Project IFB #114505</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Length of Project</td>
<td>9 months (including equipment delivery)</td>
</tr>
<tr>
<td>Number of Bids Mailed to Contractors</td>
<td>18</td>
</tr>
<tr>
<td>Number of Bids Mailed to Builder’s Exchanges</td>
<td>8</td>
</tr>
<tr>
<td>Total Days to Respond to Bid</td>
<td>43</td>
</tr>
<tr>
<td>Pre-Bid Meeting?</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Company Attendees at Pre-Bid Meeting</td>
<td>6</td>
</tr>
<tr>
<td>Number of Bids Received:</td>
<td>2</td>
</tr>
<tr>
<td>Bid Price Range *</td>
<td>From a low of $2,165,232 to a high of $2,269,646</td>
</tr>
</tbody>
</table>

*Bid summary provided in Attachment A.

Based on conversations with contractors and the engineering design consultant, it was found that bids were higher than expected due in part to the consolidation of the conventional and CNG fueling equipment into one construction bid package. Contractors specialize in either conventional or CNG fueling systems and most companies were not comfortable working with unfamiliar systems. The bonding requirements for this project were beyond the reach of most of the contractors, and the current market demand for this type of work is very high. In 2005, the State also began mandating stricter vapor-recovery system installation and testing requirements for gasoline dispensing facilities, and the availability of certified installers is very limited.

Due to the limited number of bids and the excessive difference in the low bid and the engineer’s estimate, staff recommends rejecting all bids. Prior to re-bidding staff recommends revising the design of the fueling station so that it is broken into two separate components: one bid package will cover the conventional fueling portion and the other bid package will contain CNG fueling. The consultant will also look for ways in which material or other costs can be reduced. Contractors felt that up to $500,000 could be saved by breaking the project into two separate bid packages since bonding and liability issues would be reduced by having a smaller, more specialized scope of work.

**RESOURCE IMPACT**

Funding is available in Vehicle Replacement Fund CIP VR-01001 and Gas Fund CIP GS-00011.

The City applied for and was awarded a grant from the Santa Clara Valley Transportation Authority (VTA) in the amount of $300,000 which will help offset the construction cost of the new fueling station (CMR:145:01). The grant expires on June 30, 2006. Prior to that time staff will ask for reimbursement of consultant design fees and will also pre-order enough fueling equipment so that the entire grant amount would be expended.
**POLICY IMPLICATIONS**
This project furthers Policy N-21 and N-25 of the Comprehensive Plan.

**ENVIRONMENTAL REVIEW**
This project is exempt under the California Environmental Quality Act Section 15302 because it is a relocation of an existing use. The project has been appropriately conditioned to address the soil contamination.

**ATTACHMENTS**
Attachment A: Bid Summary

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