TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER     DEPARTMENT: UTILITIES
DATE: JUNE 17, 2002      CMR:283:02

SUBJECT: REJECTION OF BIDS RECEIVED ON MAY 21, 2002 FOR WATER-GAS-WASTEWATER SERVICE INSTALLATION PROJECT

RECOMMENDATION

Staff recommends that Council reject all bids received on May 21, 2002 for the Water-Gas-Wastewater (WGW) Service Installation Project.

BACKGROUND

Staff developed and bid a multi-year contract to reinforce WGW Operations’ installation of new water, gas, and wastewater utility services. By supplementing WGW operations crews with contractor crews, the installation time for new WGW services would be reduced.

A notice inviting formal bids for the WGW service installation project was sent on April 29, 2002 to four pre-qualified contractors (gas service work requires pre-qualification of bidders to perform work on the City’s gas distribution system in conformance with city and federal regulations). The bidding period was 22 days. Bids were received from two qualified contractors on May 21, 2002, as listed on the attached bid summary (Attachment A). Bids ranged from a high of $3,014,950 to a low of $2,042,973 for a three-year contract. Contractors not responding indicated that they did not submit a bid because they were too busy to take on more work at this time. The low bid is 34 percent above the engineer's estimate of $1,519,474. The engineer’s estimate includes the total City costs of engineering, labor, equipment, materials, inspection, overhead, and benefits for performing the work with City forces. Engineering, administrative and inspection time would also be required to perform the WGW Service Installations with a contractor. The final City cost for implementing the WGW service installation project would be greater than the 34 percent difference between the low bid and existing City costs. Staff has reviewed the bids submitted and recommends that Council reject all bids.
Staff will restructure the single WGW services installation bid package into two service installation projects and bid the projects again. One bid package will be prepared for gas service installations. The gas service installation contract requires the contractor to be pre-qualified by the City and his/her staff to meet federal standards for gas system construction. Staff will create a second bid package for water and wastewater collection service installations. Bidding these projects separately may reduce the City’s overall cost for installing WGW services.

**POLICY IMPLICATIONS**

The intention of this contract was to support the Utility Departments Strategic Plan, Strategy #1, (operate distribution system in a cost effective manner), Supporting Objective C; develop multi-year supplement contracts with local contractors to supplement staff's installation of new water, gas, and wastewater services. However, awarding this contract to the lowest bidder would not be operating our distribution system in a cost-effective manner.

**ATTACHMENTS**

A: Bid Summary

**PREPARED BY:**

Roland Ekstrand, Senior Engineer  
Roger Cwiak, WGW Engineering Manager  
Scott Bradshaw, Assistant Director, Utilities

**DEPARTMENT HEAD:**

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JOHN ULRICH  
Director of Utilities

**CITY MANAGER APPROVAL:**

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EMILY HARRISON  
Assistant City Manager