



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6211
February 7, 2023
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 6211: Reservoir Improvement Project (WU0103) Bid Award	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Award the Reservoir Improvement Project construction contract to Paso Robles Tank, Inc.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Patrick Yamashita, Deputy Public Works Director Allen Hunter, Utilities Operations Manager
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	1. Project Location Map
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 7,119,602
AMOUNT BUDGETED	\$ 7,498,612
APPROPRIATION REQUIRED	\$ 0

EXECUTIVE SUMMARY

The purpose of this agenda bill is to award a public works contract for the construction of the Reservoir Improvement project.

- The City’s two 4-million-gallon welded steel reservoir tanks were upgraded over 20 years ago. Since then, many components have deteriorated, including the interior and exterior protective coatings.
- A third-party analysis of the reservoir coatings in 2021 confirmed that the coatings have reached the end of their useful life.
- Very few contractors in this region are qualified to apply these specialized coatings on reservoirs.
- Three bids were received for this project. The low construction bid is \$5,791,413 and engineer’s estimate is \$5,989,308, a difference of 3.3 percent.
- This project is included in the 2023-2024 Capital Budget and is funded through the Water Fund.
- Estimated project expenditures are higher than the available 2023-2024 budget. A carry-forward of \$1,564,602 from the 2021-2022 budget is requested.
- Construction will begin in spring 2023 and be completed by spring 2025.

This project is one of several planned investments to the City’s reservoir and booster pump station facility to ensure long-term storage and cost-effective delivery of safe drinking water to Mercer Island customers. Other

projects include the Booster Chlorination System Improvements, the Booster Pump Station Generator Replacement Project, and Reservoir Pump Replacements.

BACKGROUND

The City's water reservoir facility includes two 4-million-gallon welded steel reservoirs, booster pump station, emergency generator, and soon to be completed booster chlorination system. The tanks are approximately 150 feet in diameter and 32 feet tall with the booster pump station located in between. These are all critical components of the water distribution system. Ongoing investments in this infrastructure is critical to ensure the long-term storage and cost-effective delivery of safe drinking water to the community.

The booster chlorination system improvements ([AB5913](#)) will be completed in Q1/Q2 2023, allowing greater control over the chlorine levels in the water system. The contract for replacing the aging emergency generator was awarded in November 2022 ([AB6183](#)) and will be installed following a lengthy procurement period. Design to replace the booster pumps at the pump station is underway and construction completion is expected in 2024, after the generator replacement.

The north reservoir was constructed in 1962, followed by the south reservoir in 1975. The reservoir coatings were last replaced as part of the seismic upgrade of the tanks in 2001. The typical life expectancy of reservoir coatings is approximately 20 years.

A third-party condition assessment was performed in 2021, determining that the reservoirs are in overall good condition, but the coatings have reached the end of their useful life and should be replaced in the next few years. The scope and timing of the project is based on the recommendations of the analysis.

ISSUE/DISCUSSION

PROJECT DESCRIPTION

As designed, the Reservoir Improvement Project focuses on improvements to protect the structural integrity of the tanks, primarily replacing the interior and exterior protective coatings and welding roof plates to rafters. Other improvements focus on worker safety including replacing exterior ladders with spiral staircases and adding guardrails around the tank roof perimeters. This work will be performed on both 4-million-gallon welded steel reservoir tanks. The long project duration is necessary due to operational constraints. Only one reservoir can be taken out of service at a time for recoating and only outside of the May-October peak water demand season.

BID RESULTS

Design of this project was completed in November 2022 and the project was advertised for bids in December. Prior to advertisement, the project team informed the few contractors who perform this kind of specialized work that the City would be advertising the project for bid. Three construction bids were received and opened on Tuesday December 20, 2022. The lowest bid was received from Paso Robles Tank, Inc for \$5,791,413, approximately 3.3% below the engineer's construction cost estimate. The following table shows the bid results.

Bid Summary			
Company Name	Schedule A + 10.1% sales tax	Schedule B + 10.1% sales tax	Total of all Schedules (A & B +Tax)
Paso Robles Tank, Inc	\$3,001,734	\$2,789,679	\$5,791,413
CBI Services, LLC	\$3,049,770	\$3,136,749	\$6,186,519
T Bailey Inc.	\$3,460,443	\$3,124,638	\$6,585,081
Engineer's Estimate	\$2,934,572	\$3,054,736	\$5,989,308

The apparent low bidder, Paso Robles Tank, Inc. from Hemet, California, has successfully completed reservoir and tank improvement projects in Washington and California. The City's design consultant for the project has worked with Paso Robles Tank, Inc. both in the past and currently, finding them to have the experience necessary to complete the Reservoir Improvement Project. Review of the Labor and Industries (L&I) website confirms CBI Services, LLC is a contractor in good standing with no license violations, outstanding lawsuits, or L&I tax debt.

PROJECT BUDGET

Adding amounts for construction, project design, contingency, construction services, and project management, the total estimated cost of the project is \$7,119,602. Historically, staff applies a 20% construction contingency to utility construction due to the unknowns associated with underground work. Contingency for this project has been set at 10% since the work is not underground and there are likely fewer unknowns. Estimated project costs are summarized in the following table.

Reservoir Improvement Project Budget	
Construction Contract including 10.1% Sales Tax	\$5,791,413
Project Analysis and Design (2021-2022)	\$359,048
Construction Contingency @ 10%	\$579,141
Construction Services (Management/Inspection) – consultant	\$350,000
Contract Administration/Project Management	\$40,000
Total Project Cost	\$7,119,602
Approved Project Budget (2021-2022)	\$1,943,612
Approved Project Budget (2023-2024)	\$5,555,000
Budget Carry Forward Request From 2021-2022 Budget	\$1,564,602

The construction budget in the 2023-2024 Capital Budget included an estimate for cost escalation. Upon completion of design, the final estimate was prepared and was increased from \$5,555,000 to \$5,989,308. Reasons for the increase include a rapid escalation in construction costs related to welding, a significant component of the project.

Recently updated regulations also impacted the project budget. Changes governing the type of coating allowed on potable water reservoirs along with new techniques and equipment to reduce the level of volatile organic compounds (VOCs) released into the environment from interior coatings were put in place.

Furthermore, full reservoir containment to provide a more suitable work environment also added to the increased cost.

To complete this project as designed, staff requests a carry forward of \$1,564,602 from the 2021-2022 project budget. Upon project completion, any unspent funds will remain in the Water Fund.

NEXT STEPS

Staff recommends authorizing the City Manager to execute a contract with Paso Robles Tank, Inc. for the construction of the Reservoir Improvement Project and set the total project budget at \$7,119,602, with a 2021-2022 project budget carry-forward of \$1,564,602.

Project construction will begin in Spring 2023 and be completed by Spring 2025. The long project duration is necessary due to operational constraints. Only one reservoir can be taken out of service at a time for recoating and only outside of the May-October peak water demand season.

RECOMMENDED ACTION

1. Award the Reservoir Improvement Project to Paso Robles Tank, Inc. in the amount of \$5,791,413, set the total project budget at \$7,119,602, and authorize the City Manager to execute the construction contract.
2. Authorize a \$1,564,602 expenditure budget carry-forward in the Water Fund from the 2021-2022 project budget savings.