



REQUEST FOR COUNCIL ACTION

Title: 2021 Overlay Project Contract Approval

Preferred Agenda: April 27, 2021

Submitted By: Trish Rice, Engineering Tech 2
Greg Springman, Public Works Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution ____ Motion ____ Roll Call X Other ____

Relevant Code/Policy: n/a

Towards Council Goal: Goal 1.1c Develop specific steps for implementation of the adopted infrastructure master plans (streets)

Attachments: 2021 Overlay Project bid tabulation
Contingency calculation
Bid documents and addendum

Purpose of this RCA:

Staff requests authorization to execute the contract for the 2021 Overlay Project.

Background/Context:

On March 23, 2021 City Council authorized posting a bid solicitation for the 2021 Overlay Project. The engineer's estimate was \$264,138.50. Staff issued one addendum in response to contractor questions. The bids closed April 20 and we received 4 bids. North Santiam Paving Co. is the low bidder at \$194,174. Staff is very pleased that the bids are so much lower than expected because no schedule trimming will be necessary.

The Challenge/Problem:

How do we make efficient use of limited funds to complete needed streets projects?

Stakeholders:

- Sweet Home Residents – Residents deserve well-maintained City infrastructure that meets their needs and improves their quality of life.
- Sweet Home City Council – The City Council has a goal to provide viable and sustainable infrastructure that serves development and improves residents' quality of life.
- Sweet Home City Staff – City Staff have an interest in completing projects that empower them to meet the Council's goals and which reduce staff time spent repairing poor quality streets.

Issues and Financial Impacts:

North Santiam Paving Co. bid \$194,174. There is still \$242,327.94 available in local funds for overlay projects. There is also \$600k+ available in ODOT exchange funds. The fund exchange IGA has been executed much more quickly than expected and we may begin drawing from it at any time. Staff intends to draw fund exchange money for this project and re-budget the local funds into the new fiscal year.

Staff discovered some minor changes are necessary due to some conditions that we missed in plan review. These will need to be addressed out of the project contingency, thus requiring a larger-than-usual contingency percentage. The changes are summarized in the attached contingency calculation spreadsheet.

Factoring in these changes brings the anticipated cost to \$229,096. This is still much lower than the engineer's estimate and within budget. Staff checked to see if the changes would result in a different low bidder based on the unit prices for each schedule, and North Santiam is still the lowest bidder at the anticipated new quantities.

Staff requests authorization for a contingency up to a total project not-to-exceed amount of \$260,000 (similar to the engineer's estimate). Although on paper this is a 34% contingency, since we now anticipate an actual cost around \$229k the actual effective contingency will be 13.5%. That's within the usual recommended contingency of 10-15% for most Public Works projects. There are available budgeted funds for Materials and Services which can cover the contingency within the current year's approved budget, if needed.

Elements of a Stable Solution:

A stable solution will provide efficient completion of needed street maintenance and improvements.

Options:

1. Option 1 – Reject all bids and cancel the project. The project will remain in the CIP. The unspent overlay funds will go into the ending fund balance and be available for re-budgeting.
2. Option 2 – Execute the contract and approve the requested contingency. Staff will execute the contract and give the contractor notice to proceed.
3. Option 3 – Execute the contract and remove schedules. Council may remove schedules from this contract and add them to future projects. This option is not recommended since the bids came in much lower than expected.
4. Option 4 – Execute the contract with a different contingency. Council may choose to provide more or less contingency funds for the project, which will affect staff's ability to adapt to changes discovered during construction. Decreasing the contingency is not recommended.
5. Option 5 – Cancel the solicitation and combine this project with the next paving project. As discussed at the March 23 Council session, the project was split into two phases to accommodate funding availability, due to the uncertainty about when the ODOT fund exchange IGA would be executed. The IGA was executed much more quickly than expected so those funds are available to us now. Council may choose to re-combine the paving work into a single project. This option will delay project completion. We are also unlikely to get such low prices a second time.

Recommendation:

Staff recommends Option 2 – Motion to allow staff to execute the FY 2021 Overlay Program Project contract as presented.