



City Council

Agenda Item

Subject: Approval to Reject all Bids for the Renovation and Addition for the New City Hall, Project No. 2035, and Authorize Staff to Negotiate a Contract Price with the Low Bidder, Gray Construction Co.

Meeting: City Council - Aug 15 2022

From: Heath VonEye, Public Works Director

BACKGROUND INFORMATION:

On June 21, 2022 City Staff presented the estimated costs for the Renovation and Addition. The total construction estimate as presented was 3,476,431.00 including base bid and all four (4) alternates. Other costs associated with the project include a 2.5% Contingency (\$84,401.00), site purchase (\$1,300,000.00), A/V Equipment (\$525,000.00), Architectural/Engineering (\$301,912.00), Geotech and Asbestos Surveys (\$76,808), and FF&E (\$637,000.00), the total project estimate was \$6,317,151.00.

On July 12, 2022, the City received one (1) bid for the Renovation and Addition for New City Hall, Project #2035 from Gray Construction Co, for a total of \$5,850,000. This included the following breakouts: a base bid of \$3,750,000.00. Also received was one bid from Horsley Specialties Inc. for the asbestos abatement, for \$64,935.00, which was 30% higher than the Consultant's Estimate of \$50,000.00.

Base Bid - Remodel of old WF Building: \$3,750,000 (Estimate \$2,000,000)

Alternate No. 1 - Enclosure under the existing drive-thru canopy: \$400,000.00 (Estimate \$155,840)

Alternate No. 2 - Council Chamber Meeting Addition : \$1,650,000.00 (Estimate \$1,218,134)

Alternate No. 3 - Vestibule wainscot panel improvements : \$25,000.00 (Estimate \$4,500)

Alternate No. 4 - Replace existing tree grates : \$20,000.00 (Estimate \$16,000)

State Bid Laws allow for the negotiation of a Contract Price when the low bid is above the Engineer's Estimate.

Total Bid: \$5,845,000

Total Estimate: \$3,476,431

Total Overage: \$2,368,569

City staff has worked with Gray Construction Co. and our consultant, TSP, to identify some areas to value engineer to ensure we do not exceed a total construction cost of \$4,445,000.00. This is a \$1.4M reduction to the bids that would still require a \$1M supplement to increase the total project budget from \$6.3M to \$7.3M. To achieve the reduction, there are several options in not accepting alternate bid items along with other project removals to reduce costs.

After contract negotiations, staff would bring forth a proposed contract with Gray Construction. Any award of a contract would likely be contingent on City Council appropriating another \$1,000,000.00 in funds for the project in Fiscal Year 2023.

FINANCIAL IMPACT:

The funding for this project has been budgeted in the Capital Improvement Fund, Account 505-45603-43202 in the amount of \$5,250,000.00 (including bond savings of \$250,000 from 10th Ave N project). City staff proposed using approximately \$1,050,000.00 from the Unrestricted Reserve Balance as an additional source of funding to reach the \$6,300,000.00 project estimate. Depending on final contract negotiations, another \$1M in funding may likely be needed to be allocated in FY23 to obtain the projected budget amount of \$7,300,000.

SUGGESTED MOTION:

I move to Reject all Bids for the Renovation and Addition for New City Hall, Project No. 2035, and Authorize Staff to Negotiate a Contract Price with the Low Bidder, Gray Construction Co.

STAFF REFERENCE(S):

Amanda Mack, Justin Petersen, Marci Lewno

ATTACHMENT(S):

[2022-08-04 WTN City Hall Bid Recommendation TSP](#)



14 W Kemp Ave
Watertown, SD 57201

(605) 884-7090

teamtsp.com

Architecture
Engineering
Planning

August 4, 2022

RE: City of Watertown
Renovation and Addition for New City Hall
Watertown, South Dakota
TSP Project No. 09201051

Marci Lewno, Engineering
City of Watertown
23 2nd Street NW
PO Box 910
Watertown, South Dakota 57201

Marci,

On July 19, 2022, bids were received on the above-named project. A single prime bid was received for each respective contract as identified on the attached Bid Tab.

As previously discussed, the current bid climate has been tumultuous with the scarcity of bidders and bids coming in higher than anticipated. The results of the recent bids are affected by both.

On review of the General Construction bid with Gray Construction, a few items quickly rose to the forefront.

- Alternate 1: Appeared to be impacted by lack of subtrades bidding. Do not recommend accepting.
- Alternate 3: Appeared to be a plug number with no subtrade bids. Do not recommend accepting.

The options that have been identified and researched are summarized as follows:

OPTION 1

- Accept the bids as submitted, if additional funding must be authorized.

OPTION 2


- Reduce construction costs to achieve a project cost that is consistent with the \$6.3m previously acknowledge by the City Council.
- Discussions with city staff, Gray Construction and TSP, Inc. have identified a potential avenue to reduce the overall project costs as bid to approximately \$6.3 million.
- This will require significant reduction in the Work that may be summarized as removal of sprinklers, removal of reroofing, reduction of refinishing, adjustment of doors/frames, reduction in data/technology scope, minimal site alterations, and minimal remodel of lower level.
- Pursuant to 5-18B-5, the municipality may negotiate with the lowest responsive bidder; however, the quantity and complexity of adjustments required for this option would most likely require the project to be rebid.

OPTION 3

- Procure an additional \$1 million dollars of funding and reduce the construction costs to achieve a project cost of approximately \$7.3 million.
- Prior discussions have identified a potential avenue to reduce the overall project costs to approximately \$7.3 million.
- This will require reduction in the Work that may be summarized as removal of sprinklers, removal of reroofing, reduction of refinishing, adjustment of doors/frames, reduction in data/technology scope, and minimal site alterations.
- This option retains the greatest amount of intent and amenities moving forward with the least amount of impact to earlier project goals. Pursuant to 5-18B-5, the municipality may negotiate with the lowest responsive bidder; furthermore, the quantity and complexity of adjustments required for this option appears feasible thru a negotiated value engineering process.

Please contact me if you wish to discuss further or let us know how you wish to proceed.

TSP, Inc.

A handwritten signature in black ink, appearing to read "Tadd M. Holt", with a stylized flourish at the end.

Tadd M. Holt, PE
Project Manager

cc: Rex A. Hambrock



Project: City of Watertown, City Hall Renovation and Addition
 Project Location: Watertown, South Dakota
 TSP Project No.: 09201051
 Bid Date/Time: July 19, 2022 at 2:00 pm

	CONTRACTOR NAME					
	Gray Construction Co.	Horsley Specialties Inc.	Contractor Name	Contractor Name	Contractor Name	Contractor Name
Bid Security						
Check		N/A				
Bond	x	N/A				
Prebid Meeting						
Addenda						
1	x	x				
2	x	x				
3	x	x				
4	x	x				
Base Bid GC1	\$3,750,000.00	No Bid				
Base Bid AA1	No Bid	\$64,935.00				
Alternates						
Alternate No. GC1-1	\$400,000.00	N/A				
Alternate No. GC1-2	\$1,650,000.00	N/A				
Alternate No. GC1-3	\$25,000.00	N/A				
Alternate No. GC1-4	\$20,000.00	N/a				
Special Forms						
Abatement Schedule	N/A					
Remarks						

VE Items for Base Bid w/ Alt 2**Range****Description**

Omit sprinklers	\$198,000	\$242,000	\$190k for base, \$30k alt 2
Omit reroofing	\$144,000	\$176,000	
Omit remodel of RR 112	\$13,500	\$16,500	\$9,000 savings on plumbing
Safety Deposit Door to Remain	\$13,500	\$16,500	
Reduce data package	\$27,000	\$33,000	
Reduce scoop of refinishing	\$45,000	\$55,000	
Revise Door and Frame	\$27,000	\$33,000	
Keep existing lighting on main and lower level (no LED bulb replacement for existing fixtures	\$90,000	\$110,000	~\$100/tube, double material cost to include labor
Omit fire alarm system	\$40,500	\$49,500	(Square foot number)
Aluminum Feeders	\$3,600	\$4,400	
Total	\$602,100	\$735,900	

Minimize Site Work**\$378,000 \$462,000**Assume a \$130k for minimal site work.
\$80k base, \$50k alt**Owner Costs**

Omit high Density Storage	\$48,000	\$48,000
Total	\$43,200	\$52,800

Total VE Estimate**\$1,023,300 \$1,250,700****Decline Alternates 1, 3 and 4****\$445,000 \$445,000****Total Reduction of Project Cost****\$1,468,300 \$1,695,700**