



Memorandum

August 3, 2011

To: Jim Dinley, Municipal Administrator
From: Christopher Brewton, Utility Director
Subject: **Blue Lake Hydroelectric Expansion Project- Award of Contract No. 7 - Supply of Steel Building**

Request:

I request Assembly approval authorizing the City Administrator to issue CHG Building Systems a Notice of Award, clarify and confirm a final price, and enter into an agreement for Contract No. 7, Supply of Steel Building for the Blue Lake Expansion Project. The maximum amount of this contract would be the base contract amount of \$1,138,918.20. In addition, I request the Assembly approve an additional amount of \$46,730.00, to cover the cost of a site representative for installation and a project contingency, bringing the total requested amount to \$1,185,648.20.

Background:

The City and Borough of Sitka advertised Supply of Steel Building for the Blue Lake Expansion Project, on May 31, 2011. Bids were received from two bidders. The bids were opened on July 8, 2011. The base bid results and the consulting engineer's estimate are as follows:

Company	Base Bid	with Special Services
CHG Building Systems	\$1,138,918.20	\$1,165,648.20
North Pacific Erectors	\$1,742,227.21	\$1,769,414.37
Engineer's Estimate	\$1,698,200.00	\$1,733,000.00

Analysis:

The bids were review by Department staff and its consultants. Both bids were considered responsive. Department staff believes that the building offered by CHG Building Systems is fairly priced and will result in a satisfactory structure for the new Blue Lake powerhouse.

The building is an important element in the project which we have decided to order in advance so that the City can maintain control over the arrangement, functionality, and quality of the powerhouse structure. Purchasing the building separately from the General Construction contract allows us to control the ultimate structure design and delivery. It also reduces the amount we pay for General Contractor's markup (possibly \$180,000 on a \$1.2 million building) and it gives us much better certainty for the design of equipment and systems that must fit within the powerhouse.

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The Electric Department requests that the Assembly provide authorization for the City Administrator to issue CHG Building Systems a Notice of Award, to clarify and confirm the final contract price and enter into an agreement for Contract No. 7 Supply of Steel Building for the Blue Lake Expansion Project based on the Bidding Documents, the CHG Building Systems bid, our requests for clarification, and CHG Building Systems' subsequent responses.

The anticipated contract amount will be:

Supply building	<u>\$1,138,918.20</u>
Total Contract	\$1,138,918.20

Site representative	\$26,730.00
Contingency	<u>\$20,000.00</u>
Total Requested Authorization	\$1,185,648.20

Note that the cost for Site Representatives is an estimated amount. The actual payment the City will make to the Seller will be based on the actual time and expenses of the Site Representatives who travel to Sitka to assist in the installation of the structure.

The Electric Department requests that the City Administrator be given authorization to exercise a contingency of \$20,000.00 to address variations in the Site Representatives cost, a possible price escalation charge for a owner requested change in delivery and for possible change orders to this contract. The contingency amount will not be listed in the Agreement. **This will bring the total request for authorization to \$1,185,648.20.**

Funding:

Approximately \$17,123,336.90 is available in the Blue Lake Third Turbine and Dam Upgrade Capital Project No. 90594.0017.

Recommendation:

I recommend the Assembly authorize the Municipal Administrator to issue CHG Building Systems a Notice of Award, clarify and confirm a final price, and to enter into an Agreement for Contract No. 7 - Supply of Steel Building for the Blue Lake Expansion Project. The maximum amount of this contract would be the bid amount of \$1,138,918.20. In addition, I recommend the Assembly approve an additional amount bringing the total requested project cost to \$1,185,648.20.

Proposed Motion:

I MOVE to authorize the Municipal Administrator to issue CHG Building Systems a Notice of Award and enter into an agreement for Contract No. 7, the Supply of Steel Building and obligate project funds in the amount of \$1,185,648.20 from the Blue Lake Third Turbine and Dam Upgrade Capital Project No. 90594.0017 and execute this action on behalf of the Assembly of the City & Borough of Sitka.

Cc: Jay Sweeney, Finance Director
Dean Orbison, Blue Lake Project Manager