



CITY COUNCIL AGENDA ITEM

Date: March 3, 2015

To: Brian Kischnick, City Manager

From: MaryBeth Murz, Purchasing Manager
Timothy L. Richnak, Public Works Director
Kurt Bovensiep, Public Works Manager

Subject: Standard Purchasing Resolution 3 - Exercise Renewal Option – Concrete Slab Replacement Program

History

One-year requirements for Concrete Slab Replacement Program with an option to renew for one (1) additional year was competitively bid and opened on March 27, 2014, in accordance with City Charter and Code. The scope of work includes all labor, tools, equipment, and transportation for concrete slab replacement services on local and major roads. Troy City Council approved the one-year contract with an option to renew for one (1) additional year to the low total bidder, DiLisio Contracting, Inc. of Clinton Township, MI (**Resolution #2014-04-063-J-4a**).

Many municipalities are concluding that a significant increase to the construction and reconstruction of infrastructure has occurred this year, which is similar to the higher than estimated bid for the Section 4 Water Main Project presented by City of Troy Engineer Steven Vandette. This is directly correlated to the increase in demand in the region, the shortage of cement powder, the increase in demand from the trucking industry, and the shortage of skilled laborers.

The City of Madison Heights also contracts with DiLisio Contracting, Inc. for slab replacement and resolved to accept a 31% increase from 2014 bid pricing. The City of Madison Heights in conjunction with their engineering consultants, NF Engineers substantiate the price increase and verify that market conditions would not yield better pricing. They also find additional added value for their city by continuing their existing contractor relationship which has proven to be outstanding over the years.

Additionally, note that municipalities provide bid specifications differently from each other. The City of Troy is unique in that we ask for an all-inclusive bid similar to a performance-based contract. The removal of the concrete, its replacement, saw cutting, joint sealing, traffic control, and curb bid the same as flat work is all included in one price. Most comparable communities bid these items out separately creating difficulty in conducting a true comparable bid analysis.

DiLisio Contracting, Inc. proves to be a contractor that is interested in developing a relationship with its clients. This is evident by comparing the performance and the consideration in providing the least disruption to our constituents and to the other contractors in the City of Troy during the 2014 Troy Roads Rock Program. DiLisio Contracting, Inc. provides a program that has not only the city's best interest in mind but also benefits drivers that encounter the construction project.



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Purchasing

Purchasing has conducted a detailed market survey and determined the City would not benefit from soliciting new bids for concrete slab replacement services as the entire infrastructure construction and reconstruction industry has increased. The proposed pricing averages 17% higher than bid prices received in 2014 and 8% higher than the City of Warren's recent bid opening for similar work.

Financial

Funds will be proposed in the 2015-16 Streets Division Capital Fund for Major and Local Roads.

Recommendation

City management recommends exercising the option to renew for one (1) additional year with DiLisio Contracting, Inc. of Clinton Township, MI for the Concrete Slab Replacement Program at unit prices detailed in the letter sent by DiLisio Contracting, Inc. dated February 5, 2015, for an estimated total cost of \$4,721,565.00, contract to expire June 30, 2016.



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CIVIL ENGINEERS
LAND SURVEYORS
LAND PLANNERS

February 2, 2015

City of Madison Heights
300 W. Thirteen Mile Road
Madison Heights, MI 48071

Att'n: Mr. James T. Schafer, AICP - Community Development Director

Re: **2015 Madison Heights R-2 Residential Reconstruction Project / Sectional Replacement Project Recommendation for 2015 Contract Amendment / Adjustment - Dilisio Contracting, Inc.**

MH - Fournier / Mark Reconstruction (Mark/Sherry and Sherry/Mark) - NFE # I282
MH - East Harwood Avenue (Couzens Avenue to Dei Street) - NFE # I283
MH - Lincoln Avenue (John R Road to 838 E. Lincoln Avenue) - NFE # I284
MH - 2015 Major / Residential Sectional Project (Various Locations) - NFE # Pending
Madison Heights, Michigan

Dear Mr. Schafer:

As you are aware, the City of Madison Heights provided a long term contract extension to Dilisio Contracting, Inc. of Clinton Township, Michigan in January of 2011 for the completion of the remaining 2011-2017 R-2 Residential Program in Madison Heights, Michigan (see attached). At that time, Dilisio Contracting, Inc. had been working in the City of Madison Heights since 2004 and had completed over 30 R-1 and R-2 Residential road projects.

This long term contract extension was considered atypical for the construction industry but was approved by the City of Madison Heights City Council based upon past performance. This performance was predicated upon exceptional municipal / contractor cooperation, cost benefits and quality workmanship as provided by Dilisio Contracting, Inc. The contract extension did not obligate the City of Madison Heights to any future projects; however, it did obligate the City of Madison Heights to utilize Dilisio Contracting for any projects which may be approved in subsequent years.

In reality, the City of Madison Heights did have additional contract work and did utilize Dilisio Contracting, Inc. based upon a mutually agreed upon extension clause. This extension benefited both the City of Madison Heights as well as Dilisio Contracting Inc., who held their original 2006 contract bid prices and continued work through the current 2014 construction season.

The timeframe of this extension covered some of the worst economic years the State of Michigan had encountered. Regionally construction work diminished significantly from 2007-2012. Many contractors left Michigan in an attempt to find work out-of-state and/or went out of business. This caused a significant reduction of the skilled work force in our area. Since construction is a "feast" or "famine" industry; things can and did change rapidly.

In 2013, the local economy saw marked improvement in the construction industry with construction work and construction costs starting to climb due to a shortage of contractors and equipment. In addition, local cement shortages and material cost increases in cement added significant delays and cost to several area projects. To exasperate the problem, several area municipalities approved roadway millages which will add more work in our local area beginning in 2015. As a result, we predict that construction material costs and overall project cost will increase rapidly over the next several years as the construction industry adjusts to provide required resources, staff and equipment to absorb the recent voter funded new roadway and utility infrastructure work.

As a result of these pending cost increases; we are in receipt of a December 15, 2014 correspondence from Dilisio Contracting Inc. (see attached). Based upon the above referenced cost issues; Dilisio Contracting, Inc. has notified the City of Madison Heights that they can no longer hold their original 2006 prices due to construction supply cost increases in concrete, materials, trucking, labor, and sub-contracting costs. They have offered an amendment to their 2006 contract pricing to continue working in the City of Madison Heights.

NOWAK & FRAUS ENGINEERS

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Based upon this request; the City of Madison Heights has two options - They can deny the request and re-bid the pending 2015 construction projects or they can consider the cost adjustment and issue an amendment to the existing contract based upon the contractors submitted costs.

If the City of Madison Heights were to re-bid the upcoming 2015 projects; we will guarantee that the 2015 project costs will increase. If the City of Madison Heights re-bids the 2015 construction project; there is no guarantee that the city will get a contractor who will match the previously established quality workmanship and cooperation provided by Dilisio Contracting Inc.

We have attached an engineering cost estimate(s) for the upcoming R-2 Residential Street Reconstruction Project which included the Fournier / Mark; Harwood; and Lincoln Avenue Reconstruction projects based upon 95% design construction drawings and anticipated quantities. Three estimates have been provided based upon the current 2006 contract prices, 2015 modified contract prices and finally the anticipated 2015 bid prices based upon average unit costs from surrounding area communities. In other words, the first is what we would have paid; the second is what we will pay with this amendment; and third is what we anticipate we would pay based upon new bids.

The overall project cost based upon current 2006 unit prices would be \$1,636,128.75 per our estimate. The project cost based upon Dilisio Contracting Inc. 2015 modified unit prices would be \$2,144,696.25 or a 31% increase. The project cost based upon anticipated 2015 bid unit prices would be \$ 2,553,692.60 or a 56% increase. (See attached).

Likewise, we have attached an engineering cost estimate for a typical Concrete Sectional Project based upon preliminary design plans and anticipated quantities. The sample project used for this analysis was Whitcomb Avenue. Again, three estimates have been prepared based upon the current 2006 contract prices, 2015 modified contract prices and finally the anticipated 2015 bid prices based upon average unit costs from surrounding area communities.

The Whitcomb Avenue sample project cost based upon current 2006 unit prices would be \$87,556.25 per our estimate. The project cost based upon Dilisio Contracting Inc. 2015 modified unit prices would be \$102,993.75 or a 17.6% increase. The project cost based upon anticipated 2015 bid unit prices is \$111,700.00 or a 27.5% increase. In reality, the City of Madison Heights has a fixed budget amount to utilize for concrete sectional projects. The actual cost will not change; however the amount of physical work completed would be 17.6% and/or 27.5% less. (See attached).

The above referenced project cost increase(s) are based upon several previously mentioned. In general one of the largest increases is raw material costs like concrete. As a true comparison concrete cost \$62.50 / cubic yard based upon Dilisio Contracting Inc. 2006 prices. The current 2015 rate for concrete is \$100.00 / cubic yard.

In support of the contract amendment; we would like to illustrate several scenarios which occurred during the 2013 and the 2014 construction seasons in some neighboring municipalities.

The City of Huntington Woods re-bid their 2013 Pavement Reconstruction and Water Main Replacement Program based upon bonding requirements. The 2013 project costs increased by approximately 38% over the previous year based upon nearly exact contract quantities as compared to their 2012 project costs.

In 2013 Dilisio Contracting Inc. was awarded a large sectional concrete replacement project in the City of Troy. In 2014 Dilisio Contracting Inc. requested a minor contract adjustment based upon increasing concrete material costs. The City of Troy declined to provide this increase based upon legal advice and re-bid the project. As a result, the as-bid project costs increased by approximately 20% and the project was again awarded to Dilisio Contracting, Inc. The next lowest bidder was over \$2,000,000 higher than Dilisio Contracting, Inc. price which would equate to a 58% price increase.

In January of 2015, the City of Royal Oak solicited bids for a concrete sectional project in the City of Royal Oak. The low bidder's cost was twice as high as the city's engineering own construction estimate. We anticipate significant project cost increases in 2015 for any new work being bid.



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Our office has likewise been advised that the City of Troy and the City of Pleasant Ridge have recently asked Dilisio Contracting, Inc. to provide a 2015 cost adjustment for this construction season in lieu of re-bidding this work. These communities have come to the realization that qualified residential street contractors are in short supply and that they would rather provide a slight increase to 2014 costs than to chance next years work with an unknown contractor.

Please find attached copies of recent bid tabulations from several area communities for residential street reconstruction project(s) for your review and consideration. We have attempted to provide a fair and realistic cost comparison based upon the recent average unit costs for your review.

While we are aware that contract amendments are not standard in the construction industry; we are very much aware of the potential difficulties, additional project cost and steep learning curves which would be necessary if a different contractor is awarded next years work. It is with this in mind, that we recommend that the City of Madison Heights consider a contract amendment for the 2015 Madison Heights R-2 Residential Reconstruction Project / Sectional Replacement Project.

This contract amendment will assure that the City of Madison Heights will retain a qualified contractor with a proven track record of cooperation, dedication as well as a high degree of quality workmanship for the upcoming 2015 season. At this time, Dilisio Contracting can not guarantee these costs beyond 2015.

To summarize the following cost are noted as original 2006 costs; modified 2015 costs; & anticipated 2015 bid costs:

<u>R-2 Project Cost - 2006 Unit Prices</u>	<u>R-2 Cost - 2015 Modified Unit Prices</u>	<u>R-2 Anticipated - 2015 Costs (If Bid)</u>
\$1,636,128.75	\$2,144,696.25 or 31% Increase	\$2,553,692.60 or %56 Increase

Since the City of Madison Heights has a fixed budget for the 2015 Concrete sectional replacement project; the actual project costs are fixed. However due the requested 2015 modified unit prices provided by Dilisio Contracting; the actual amount of construction work will be reduced by the requested increase in unit prices. Those percentages are summarized below based upon our Whitcomb Avenue cost estimate contained in this correspondence.

<u>2015 Sectional - 2006 Unit Prices</u>	<u>2015 Sectional - Modified Unit Prices</u>	<u>2015 Sectional - New Unit Prices If Bid</u>
\$ 1,560,000.00	\$1,560,000.00 for 17.6% Less Quantity	\$ 1,560,000.00 for 27.5% Less Quantity

Therefore, we recommend that a modified contract for the 2015 R-2 Residential Reconstruction Project in the City of Madison Heights be awarded to Dilisio Contracting, Inc. of Clinton Township, Michigan 48316 in the amended contract amount of \$2,144,696.25 per attached NFE Estimates.

Therefore, we recommend that a modified contract for the 2015 Concrete Sectional Replacement Project in the City of Madison Heights be awarded to Dilisio Contracting, Inc. of Clinton Township, Michigan 48316 in the amended contract amount of \$1,560,000.00 based upon preliminary City of Madison Heights CIP Estimates.

Should you have any questions, please feel free to contact our office at any time.

Very truly yours,

NOWAK & FRAUS ENGINEERS

Timothy L. Germain, P.E.
Consulting City Engineer

TLG/cj - Enclosures

cc: City of Madison Heights - Ben Myers, City Manager (300 W. Thirteen Mile Road, Madison Heights, MI 48071)
NFE Project File I282, I283, I284/2015



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Michigan, 48036

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E-Mail: dci1994@sbcglobal.net

February 5, 2015

Kurt Bovensiep
4693 Rochester Road
Troy, MI 48085

Re: City of Troy Concrete Slab Replacement Program 2014-2015 (ITB-COT 14-10)

Dear Mr. Bovensiep

Dilisio Contracting Inc. regrets to inform you that it can not accept contract extensions at City of Troy Concrete Slab Replacement Program 2014-2015 (ITB-COT 14-10) unit prices. Due to significant increases in, concrete, materials, trucking, labor and subcontractors cost the extension projects are no longer profitable. We are pleased to submit the attached revised unit prices for your consideration.

If you have any questions please give me a call.

Respectfully yours,

A handwritten signature in blue ink that reads "Giuseppe D. Lia".

Giuseppe Lia
Treasurer



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Proposal B: 2014-2015 Major Road Maintenance - Scattered Locations				
NO.	DESCRIPTION	EST. QTY.	FY	PROPOSED
			2014/2015	2015/2016
			UNIT PRICE	UNIT PRICE
1	Remove & Replace with Concrete 10" Non-reinforced-	5,500 SY	\$46.65	\$64.65
2	Remove & Replace with Concrete 9" Non-reinforced-	22,000 S.Y.	\$44.80	\$62.80
3	Remove & Replace with Concrete 8" Non-reinforced-	200 S.Y.	\$43.80	\$61.80
4	Remove & Replace with Concrete 7" Non-reinforced-	200 S.Y.	\$42.80	\$60.80
5	Remove & Replace with Concrete Sidewalk/ Driveway 6" Non-reinforced (Locations not)	200 S.F.	\$3.50	\$3.50
6	Remove & Replace with Concrete Sidewalk/ 4" Non-reinforced (Locations not specified)	100 S.F.	\$3.20	\$3.20
7	Remove Concrete and rplc with topsoil/seed	100 S.F.	\$10.00	\$10.00
8	Structure Cover, (Adjustment)	20 each	\$200.00	\$200.00
9	Structure Cover, Adj, Add Depth (Reconst)	10 L.F.	\$200.00	\$200.00
10	Misc. Base Repair per CY to excavate/replace with 21AA Limestone, compacted in place	600 C.Y.	\$5.00	\$5.00
11	Installation of 6" edge drain	100 L.F.	\$9.00	\$9.00
12	Remove and Replace Curb & Gutter	100 L.F.	\$20.00	\$20.00
13	Sidewalk Ramp, ADA, Modified w/Inserts	500 S.F.	\$14.00	\$14.00
14	Sidewalk Ramp, Detectable Warning, Retrofit, .	100 S.F.	\$14.00	\$14.00
15	Restoration	Included	Included	Included
16	Traffic Maintenance	Included	Included	Included



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Proposal A: 2014-2015 Local Road Maintenance - Scattered locations

			FY 2014/2015	PROPOSED 2015/2016
NO.	DESCRIPTION	EST. QTY.	UNIT PRICE	UNIT PRICE
1	Remove & Replace with Concrete 9" Non-reinforced-	1,000 S.Y.	\$38.00	\$56.00
2	Remove & Replace with Concrete 8" Non-reinforced-	1,000 S.Y.	\$37.00	\$55.00
3	Remove & Replace with Concrete 7" Non-reinforced-	50,000 SY	\$36.00	\$54.00
4	Remove & Replace with Concrete Sidewalk/ Driveway 6" Non-reinforced (Locations not)	100 S.F.	\$3.50	\$3.50
5	Remove & Replace with Concrete Sidewalk/ 4" Non-reinforced (Locations not specified)	7,000 S.F.	\$3.20	\$3.20
6	Remove Concrete and rplc with topsoil/seed	300 S.F.	\$10.00	\$10.00
7	Structure Cover, (Adjustment)	75 each	\$200.00	\$200.00
8	Structure Cover, Adj, Add Depth (Reconst)	10 L.F.	\$200.00	\$200.00
9	Misc. Base Repair per CY to excavate/replace with 21AA Limestone, compacted in place	1,500 C.Y.	\$5.00	\$5.00
10	Installation of 6" edge drain	100 L.F.	\$9.00	\$9.00
11	Remove and Replace Curb & Gutter	200 L.F.	\$20.00	\$20.00
12	Sidewalk Ramp, ADA, Modified w/Inserts	5,000 S.F.	\$14.00	\$14.00
13	Sidewalk Ramp, Detectable Warning, Retrofit, ...	100 S.F.	\$14.00	\$14.00
14	Restoration	Included	Included	Included
15	Traffic Maintenance	Included	Included	Included