

March 3, 2015

Lawrence, Kansas
Wakarusa Final Design & Construction Phase Services

B&V Project 180984
B&V File 11.1300
City Project UT1304

Mr. Dave Wagner
Department of Utilities
1400 E 8th Street
Lawrence, KS 66044

Attention: Mr. Wagner

Bid Results and Next Steps

Bid Results

Bids were received and opened on Tuesday, February 24th, 2015, at City Hall, for City Project No UT1304 – Contract No. 4 for the Wakarusa Wastewater Treatment Plant and Conveyance Corridor Project. The following is an alphabetical list of the contractor lump sum base bids that were read and the Engineer's Opinion of Probable Construction Cost. A bid tab of the costs and items that were read aloud has been provided.

	<u>Lump Sum Bid</u>
Crossland Heavy Contractors	\$50,772,210.00
Garney Construction	\$52,185,210.00
Engineer's Opinion of Probable Cost	\$45,968,120.00

The two bids received were separated by \$1,413,000, or 2.7%, indicating competitive bids and high quality documents allowing each contractor to bid the same scope of work. The apparent low bid by Crossland Heavy Contractors was \$4,804,090, or 10.5%, higher than the Engineer's opinion of probable construction cost. As a result of the higher than expected bids, Black & Veatch and the City of Lawrence Utilities staff had discussions with both Crossland Heavy Contractors and Garney Construction. The goal of these discussions was to gain a better understanding of specific issues or risks that may have contributed to the higher than expected bids.

Based on these discussions, each General Contractor indicated that they received good participation from all suppliers/trades for this project and received multiple bids for all aspects of the project. It was noted that the project benefited from the efficiencies resulting from a combined construction document set, which included Pump Station 10, Wakarusa WWTP, Kansas River WWTP Laboratory Modifications and the Baker Wetland Enhancements. It also appears that the overall construction schedule of 32 months was appropriate for the project and did not contribute to the higher bids. Several issues that

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were identified in these discussions as potential contributors to the higher than expected bids include:

- Higher insurance rates for the flood plain activities at the Wakarusa WWTP site,
- Uncertainty in cost escalation for both concrete/asphalt for a 32 month project,
- Liability insurance requirement.

Each of these items resulted in risks that were passed on to the General Contractor, and did increase costs; however, alone they do not explain a 10.5% difference between the Engineer's estimate and bids received.

While a side-by-side comparison of the Engineer's opinion of probable construction costs and the apparent low bid was not possible, we did evaluate all pricing submitted as part of the bid. The unit prices submitted with the bids, along with alternative deducts and adders, allowed for some comparison at a detailed level between the Engineer's opinion of probable costs and the bids received. In general, our costs were similar or higher than those submitted by the bidders with one notable exception. This exception was the cost for the addition of the conference room to the administration building and associated parking.

In discussions with the contractors, it was noted that the bidding community has become more selective in the work they pursue due to current commitments and other timing issues; therefore, it appears that higher bid costs can be attributed in part to a strong construction market and a general trend upwards in construction costs. It was also noted that the general contractors received higher overall costs for several of the major trades, further supporting the trend. These higher costs we believe are a main contributor to the higher than expected bids received.

Next Steps

Based on our discussions and our research, it appears the bids are reasonable for the scope of the project and market conditions. If the project is to be re-advertised and re-bid, we recommended reusing the current Contract Documents and previously issued addendum. It is anticipated that the Engineer's opinion of probable construction cost will be increased to reflect current market conditions. The documents, total lump sum base bid, and alternatives would not change from the previous bid, but by addenda, additional alternative deductions will be provided. We will also provide modifications to the Contract Documents to address insurance rates, consider sharing risk of cost escalation with the Contractor, and provide modifications to reduce the overall project costs. The goal of the re-advertisement is to obtain a Total Lump Sum Base Bid with alternative deductions to reduce the cost of the project to within the City's overall budget.

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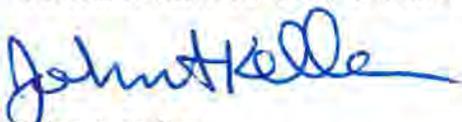
A revised schedule is as follows:

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|---------------------------|---|
| Tuesday, March 10th: | Request City Commission to set bid date for April 7th. |
| Wednesday, March 11th: | Re-Advertise. Issue Addenda No. 6 (Re-issuing Addendum 1 through 5) and contract changes. In addition, a new Bid Form and Measurement and Payment section will be revised and reissued with project reductions. |
| Wednesday, March 18th: | Mandatory pre-Bid and Site tour for any General Contractor that has not been to the project sites. |
| Monday, March 30th: | Issue a final Addendum with a final Bid Form and Measurement of Payment with Final Deductions. |
| Tuesday, April 7th: | Receive bids at City Hall at 2:00 p.m. |
| Tuesday, April 21st/28th: | Request City Commission to award project. |
| Monday, June 1st/8th: | Contractor Noticed-to-Proceed. |

The overall re-bid schedule is designed to move quickly to maintain the interest of the two bidders and minimize rework by the Contractors and all bidders contributing to the project. The Contractor will be selected based on the lowest bid for the Total Lump Sum Base Bid and any combination of deducts selected to meet the City's overall project budget. We are available to discuss any and all issues and our approach to re-bidding the project.

If you have any questions or comments regarding the above information, please feel free to contact me at (913) 458-3474 or Derek Cambridge at (913) 458-3465.

Very truly yours,
BLACK & VEATCH CORPORATION



John A. Keller
Project Manager

Enclosures