



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by: [Signature] Date: 4/14/17
General Manager

DATE: April 14, 2017
TO: Board of Directors
FROM: Director of Engineering and Compliance/District Engineer
SUBJECT: Reject Sole Bid in Excess of Authorized Funding and Direct Staff to Negotiate with Construction Contractors for Materials Recovery Facility Project – Phase III Office Improvement

RECOMMENDATION: That the Board of Directors reject the sole bid received for construction of the Materials Recovery Facility Project's Phase III Office Improvements from the qualified low bidder, Ausonio, Inc., of Castroville, CA, that significantly exceeds authorized funding and direct staff to negotiate with two or more contractors to secure a timely contract award that is consistent with authorized funding and prevents further delay of the MRF Improvement Project in the public's best interest.

BACKGROUND

On April 17, 2015, the Board adopted Resolution 2015-05 citing that the Materials Recovery Facility (MRF) Improvement Project is categorically exempt from CEQA pursuant to the requirements of California Public Resources Code Section 21000 et seq. ("CEQA") and Title 14 California Code of Regulations Section 15000 et seq. (the "CEQA" Guidelines). On May 15, 2015, the Board approved the award of a contract to Bulk Handling Systems, Inc. of Eugene, Oregon for the purchase, installation, and commissioning of the MRF Equipment to be installed as part of the MRF Improvement Project. The Board authorized a Call for Bids for the construction of the MRF Improvement Project on March 25, 2016; and on May 20, 2016 subsequently rejected the sole bid received at that time which exceeded project funding authorization and directed District staff to amend the project scope and construction documents prior to a second Call for Bids. Staff worked with the design firm, JR Miller & Associates, to reduce the scope of work and to organize three contract packages; Phase I the industrial building improvements; Phase II the site improvements around the MRF; and Phase III the MRF office addition remodeling. Staff is presenting the Phase III portion of the project for the office improvements scope of work.

The Phase III work for the MRF Office Improvements generally involves remodeling existing restroom facilities and offices, new electrical lighting fixtures, new mechanical heating equipment, renovation of the existing conference room to office space, and a second level addition to provide a new conference room. The project has been designed to CalGREEN standards.

RECEIPT OF BIDS

On March 28th at 3 p.m., the District received both a Qualification submittal and a Sealed Bid submittal from one construction contractor, Ausonio, Inc. of Castroville, CA. The Qualification submittal was reviewed by District staff and determined to satisfy the minimum qualification requirements. On March 30th at noon, the District publicly opened the sealed bid from Ausonio, Inc. of Castroville, CA. The base bid amount was \$1,690,000.00. The sole bid from Ausonio, Inc. significantly exceeds the project budget of \$950,000.

PROJECT BUDGET

In October 2016, staff recommended a project budget associated with a preferred scope of work for the entire MRF Improvement Project. The recommended budget corresponding to the portion of work associated with this contract for Phase III Office improvements is \$950,000 without contingency and \$1,092,500 with the recommended 15% budget contingency included. Thus, the \$1.69 million proposed construction contract award value is 78% over the \$950,000 budget estimate and exceeds authorized funding.

PROJECT SCHEDULE

Rejecting the sole bid for the Phase III Improvements has the potential to further delay the MRF project unless an acceptable contract can be defined quickly. However, the sole bid cannot be awarded as it is significantly over the project budget. Since the Board initially authorized a Call for Bids for the construction of the MRF Improvement Project on March 25, 2016, the project is now over a year behind schedule. Following rejection of the sole bid in May 2016, the project was reduced in scope and divided into three contract phases of which the Phase III Office Improvements is the last piece of the project. The three phases are integral to each other and it is critically important that the District employees have use of the Phase III office improvements when Phases I and II of the project are completed.

District staff anticipates that the Phase III office improvements can be reduced in scope and that the office addition can be accomplished at the ground floor level. District staff also anticipates that they can negotiate a contract bid within three weeks and can present a lower cost bid to the Board for approval at the Board's May 19, 2017 meeting. This would be in the public's interest by avoiding increased costs associated with an extended delay. The anticipated construction schedule would not cause any significant delay and is as follows:

ITEM	DATE
Bid Opening	March 30, 2017
Reject Sole Construction Bid – MRWMD Board	April 21, 2017
Notice-of-Award to Contractor	May 19, 2017
Execution of Contract	May 23, 2017
Notice-to-Proceed to Contractor (issued)	May 26, 2017
Pre-Construction Meeting	May 29, 2017
Contractor Mobilization	June 15, 2017
Issuance of County Building Permit	June 15, 2017
Substantial Completion of this Contract	September 29, 2017
Final Completion of this Contract	October 15, 2017
Substantial Completion of MRF Improvement Project (All Phases)	October 3, 2017
Final MRF Improvement Project Completion (All Phases)	November 3, 2017

PROJECT FUNDING

The District engaged Caldwell, Flores, Winters, Inc. and Raymond James to assist in the issuance of approximately \$34 million of Revenue Bonds to be used for funding the construction of the Truck Yard and CNG Fueling Facility Project and the Materials Recovery Facility Improvement Project. These bonds were issued on May 21, 2015. Portions of the Bond funding was used in 2015 and 2016 for the Electrical Supply Distribution and Truck Yard/CNG Fueling Facility projects construction. The remaining Bond Funds, approximately \$14 million dollars,

will be used for the MRF Improvement Project until the bond funds are exhausted and then by unrestricted cash reserves for progress payments for the completion of construction. The \$950,000 budget for Phase III of the project will utilize unrestricted cash reserves as the Bond funds have been fully committed. Furthermore, it is noted that completion of all three phases of the MRF Improvement Project at this time is critically important to maintain the planned financial schedule associated with the bond repayment obligations.

STRATEGIC PLAN

The concept of the MRF Improvement Project was developed as a key part of the 2010 Strategic Planning Alternative Funding Options List. It is central to the District's mission to "Turn Waste Into Resources in the most cost effective and environmentally sound manner to benefit the community." Additionally, the MRF Improvement Project is necessary to assist the District's member agencies in accomplishing the Public Policy objectives that the state has adopted to reach the 75% recycling and waste diversion goal.

CONCLUSION

To prevent further delay of the MRF Improvement Project and to complete all phases of the project such that the MRF facility can be fully operated in the public's interests for which it was designed, it is recommended that the Board of Directors reject the sole bid received for construction of the MRF Project's Phase III Office Improvements and direct staff to negotiate with two or more contractors to secure a timely contract award to be presented at the Board's May meeting consistent with authorized funding.



Guy Petrabor