



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

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Legislative File No: 2020-0074

TO: Mayor and City Council Members

FROM: Allan Schneck, P.E., Director of Public Services

DATE: March 16, 2020

SUBJECT: Bedford Square and Tienken Court Water Main Replacement and Road Resurfacing Project City File No. E19-006 and Glidewell Subdivision Water Main Replacement Project City File No. E20-004

REQUEST:

It is requested that City Council review and determine acceptance of the bids for the Bedford Square and Tienken Court Water Main Replacement and Road Resurfacing Project and Glidewell Subdivision Water Main Replacement Project.

If City Council accepts the bids as received, it is requested that City Council authorize a contract/blanket purchase order to Bidigare Contractors, Inc., Plymouth, Michigan in the amount of \$4,813,879.00 with a 10% project contingency in the amount of \$481,387.90 for a total not-to-exceed project amount of \$5,295,266.90 and further authorizes the Mayor to execute a contract on behalf of the City.

REASON FOR PURCHASE:

The City issued bids for the Bedford Square and Tienken Court Water Main Replacement and Road Resurfacing Project and Glidewell Subdivision Water Main Replacement Project with two (2) bid responses received. When bids are received by the City, each line item is reviewed to ensure fair and open competition and that the bids received are in compliance with City purchasing policies, laws and regulations. When conducting an analysis of the unit pricing bid by the contractors, the City will look to the engineer's estimate as to the expected cost of a unit price item, as well as the unit pricing received from all bidders to determine if there is any discrepancies or issues with bids received. Upon review of the bids received, there were questions related to some of the unit prices provided by Bidigare. The analysis of the pricing indicated that some of the line items were well below that of what the engineer's estimate was, as well as that of the other bid received, which prompted for further review to be done by the City. After careful review, it was the determination by the City was that the bid received by Bidigare was unbalanced.

An unbalanced bid can fall into one of three categories. In the case of the bid received by Bidigare, it has been deemed that Bidigare quoted lower prices on line items that they felt to know, or somehow knew will not be utilized in the actual work performed, or "called on" and they reduced the quantities based on their own quantity calculations and provided a price they felt to reflect those quantities and did not bid pricing based on the quantities identified by the City.

When a bidder does this, it can favor them by making it appear that their pricing is dramatically lower than that of another bidder. That is because the apparent low bidder is basing their bid on different quantities than that of what is being identified by the City which in turn creates an appearance of an unfair competitive process. The City has had issues of unbalanced bidding on these projects by the contractors in the past and they have been informed that these types of bids are not how the City conducts business and

that our bid processes are not to be represented in a manner that can be viewed as impeding a fair and open bid process. It is expected that a vendor is to base their bid on the information provided by the City and that if there is question as to the quantities and information stated in the City's bid, a vendor should submit a question as allowed by the bid process in which they seek clarification, or request the City reviews the items in the bid. That way the question can be addressed through an addendum process in which the information is provided to all bidders, continuing to maintain a fair and open competitive process.

To assess the possibility of rejecting the bid, it is important to examine two components (1) the bid must be mathematically unbalanced, meaning that the bid exhibits understated prices for some work and overstated prices for other work and (2) the bid must be materially unbalanced, meaning that there is a reasonable doubt that award to the bidder submitting the mathematically unbalanced bid will result in the lowest ultimate cost to the government. To try and conduct further analysis, to determine what is considered to be in the best interest of the City and if there would be any expectation that the City will end up paying more, or that bid results would differ, the City did produce an evaluation tabulation utilizing the higher unit pricing into Bidigare's bid to determine if their pricing still remains lower and if overall award of the contract to the City does not in any manner appear that they would pay more by awarding the contract to Bidigare versus that of the other bidder. Based on that analysis it does not appear that there would be any negative impact to the City with awarding the contract to Bidigare, but as demonstrated in the analysis it does bring pricing bid between the two vendors to a more reasonable comparison between the two bids received and would be more in line with what should have been expected from this bid process.

With all the information above, the reason the City is bringing forth the information to City Council is for their evaluation and decision as to the acceptance and award of the bid. It is City Council's authority to make awards based on what they deem is in the best interest of the City. The basis for council's decision as to whether or not to accept the bid should be based on whether or not they feel the award of the contract would result in an advantage to the contractor with a corresponding disadvantage to the City, or if the competitive bidding process was jeopardized. If City Council is not comfortable with the bid process and responses received, or is disinclined to award to Bidigare, then the recommended alternative would be to reject all bids and re-bid the project.

PROCESS:

Vendor Name and Address:

Bidigare Contractors, Inc.
939 S. Mill Street
Plymouth, MI 48170

Reason for Selection:

Lowest, responsive, responsible bidder

Method of Purchase:

Contract/Blanket Purchase Order

BUDGET:

Funding is included in the FY 2020 Adopted Budget.

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
W/S Capital	593.972000	Mains & Services (WS-16)	\$2,424,900.00	\$1,270,894.90	\$1,154,005.10
W/S Capital	593.972000	Mains & Services (WS-34)	\$5,344,000.00	\$3,730,958.00	\$1,613,042.00
Local Street	454.970000	Construction (LS-01)	\$5,000,000.00	\$293,414.00	\$4,706,586.00
		TOTAL	\$12,768,900.00	\$5,295,266.90	\$7,473,633.10

RECOMMENDATION:

It is recommended that City Council review and determine acceptance of the bids for the Bedford Square and Tienken Court Water Main Replacement and Road Resurfacing Project and Glidewell Subdivision Water Main Replacement Project.

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APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Supervisor of Procurement		
Mayor		
Deputy Clerk		

Contract Reviewed by City Attorney Yes N/A