



City of Grand Island

Tuesday, March 23, 2004

Council Session

Item G15

**#2004-67 - Approving Change Order #1 - Schmader Electric for
Steel Poles - Transmission Line Work, Utilities Department**

Staff Contact: Gary R. Mader; Dale Shotkoski

Council Agenda Memo

From: Gary Mader, Utilities Director
Dale Shotkoski, Asst. City Attorney/Purchasing

Meeting: March 23, 2004

Subject: Transmission Line Work Change Order – Schmader Electric Construction, Contract 04-PCC-01

Item #'s: G 15

Presenter(s): Gary R. Mader, Utilities Director

Background

Portions of the 115 kV transmission loop must be upgraded to service the increasing electrical demand. Two line sections are currently upgrade candidates. The first piece is located south of Swift Fresh Meats the other goes north from Platte Generating Station. Bids were opened for this transmission line work on December 22, 2003. The award to Schmader Electric Construction Company was made on January 27, 2004. The contract was executed on March 3, 2004 after all administrative matters were completed; Insurance Certificates and Performance Bonds were submitted and approved.

The bids ranged from \$431,945.52 to \$660,312.00. Schmader Electric Construction's bid was \$26,500.96 below the next higher bid. From the literature furnished, it appears that all bidders intended to use steel poles manufactured by Valmont Industries.

Since these bids were opened, steel and aluminum prices have escalated rapidly. The Utilities Department has been advised that steel and steel materials fabricators will hold price quotes for only two weeks. As a result of this escalation, material vendors are not able to hold the December quotes provided to the contractor, Schmader Electric.

Discussion

Two vendors are experiencing an escalation in material costs. The most significant impact is due to an increase in steel costs, while increased aluminum prices have a lesser effect. Valmont Industries original bid for the steel poles was \$77,463, the escalated price is \$88,477; an increase of \$11,014. Kriz-Davis is furnishing the electric conductor and requests an additional \$2,503.28. After 6.5% sales tax, the total Change Order requested by Schmader Electric is \$14,395.90.

After twenty years of stable prices, the sudden return to rapid escalation was unexpected by the Electric Department, the Bidders, and the Consulting Engineer. The request of Schmader Electric is reasonable. The Department has confirmed from other sources that this escalation is present in the current metal materials markets. Should the Contract be voided, the City would ultimately pay the increased cost.

Future contracts will likely require provisions to automatically allow inflation related price increases.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the Change Order #1 in the amount of \$14,395.90.
2. Deny the request for a Change Order.
3. Void the Contract and re-advertise to meet the wishes of the Council.
4. Table the issue.

Recommendation

City Administration recommends that the Council approve Change Order #1 to the Transmission Line Work Contract.

Sample Motion

Approve Change Order #1 to Contract 04-PCC-01, Transmission Line Work, with Schmader Electric Construction Company, Inc. in the amount of \$14,295.90, including sales tax, to accommodate inflation related material cost increases.



CHANGE ORDER #1

TO: Schmader Electric Const. Com. Inc.
ATTN: Dale Schmader
340 E. Elk Street
West Point, NE 68788

Project: Transmission Line Work – Contract 04-PCC-01

You are hereby directed to make the following change in your contract:

1. Additional payment for steel poles:

ADD: \$14,395.90 or DELETE \$ _____

The original Contract Sum	<u>\$431,945.52</u>
Previous Change Order Amounts	<u>\$ 0.00</u>
The Contract Sum is increased by this Change Order	<u>\$ 14,395.90</u>
The total modified Contract Sum to date	<u><u>\$446,341.42</u></u>

Approval and acceptance of this Change Order acknowledges understanding and agreement that the cost and time adjustments included represent the complete values arising out of and/or incidental to the Work described herein. Additional claims will not be considered.

APPROVED: **CITY OF GRAND ISLAND**

By: _____
Mayor

Date _____

Attest: _____

Approved as to Form, City Attorney

ACCEPTED: **SCHMADER ELECTRIC CONSTRUCTION COMPANY, INC.**

By: _____

Date _____

R E S O L U T I O N 2004-67

WHEREAS, on January 27, 2004, by Resolution 2004-18, the City of Grand Island awarded the bid for Contract No. 04-PCC-01, Transmission Line Work to Schmader Electric Construction Co. of West Point, Nebraska; and

WHEREAS, it has been determined that a modification to the work to be performed by Schmader Electric Construction Co. is necessary; and

WHEREAS, such modification has been incorporated into Change Order No. 1; and

WHEREAS, the result of such modification will increase the contract amount by \$14,395.90 for a revised contract price of \$446,341.42.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor be, and hereby is, authorized and directed to execute Change Order No. 1 between the City of Grand Island and Schmader Electric Construction Co. of West Point, Nebraska to provide the modifications set out as follows:

Additional payment for steel poles 14,395.90

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Adopted by the City Council of the City of Grand Island, Nebraska, March 23, 2004.

RaNae Edwards, City Clerk

Approved as to Form	<input type="checkbox"/>	_____
March 18, 2004	<input type="checkbox"/>	City Attorney