



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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File #: 15-0707, Version: 1

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### **REPORT TO COUNCIL**

#### **SUBJECT**

Amend an Existing Contract for Asphaltic Materials and Pavement Reinforcement Fabric (F16-01)

#### **REPORT IN BRIEF**

Approval is requested to amend an existing 18-month contract with Reed & Graham for the purchase of asphaltic materials for use by Public Works Street Operations. These materials were bid in July 2014, and contracts to three suppliers were awarded by Council as follows: \$956,400 to Granite Construction Company; \$542,970 to Graniterock Company; and \$169,260 to Reed & Graham (RTC No. 14-0715). Multiple contracts are awarded to primary and backup suppliers, based on the relative number of low bid items and estimated quantities, to help ensure that products are available when needed.

Due to the lack of availability of specific products from the main supplier, it is necessary to increase the Reed & Graham contract by \$150,000. The Reed & Graham contract will increase to \$319,260, and the Granite Construction Company contract will decrease to \$806,400.

Council approval is also recommended to delegate authority to the City Manager to increase the three supplier contracts during the current term expiring January 31, 2016, should it become operationally necessary, subject to budget appropriation control limits.

#### **EXISTING POLICY**

Council approval is required to amend existing Council-approved contracts absent delegated authority to the City Manager to make such modification.

#### **ENVIRONMENTAL REVIEW**

N/A.

#### **BACKGROUND AND DISCUSSION**

The Street Operations Division relies upon a ready and reliable source of asphalt for patching and repairing City streets. The nature of the asphalt industry is such that plants can be closed or unavailable for a number of reasons, including seasonal cleaning, varying demand, focus on production of alternative materials (other mixes, or rubber asphalt), and mechanical failures.

During the past several months, Granite Construction was unable to supply the specific materials required for pavement repairs. Their local plant was closed for repairs for two months in 2014 and, when back online, was producing  $\frac{3}{4}$ " asphalt, which is unacceptable for use with the City's paving equipment and for patching streets during the January-March 2015 period when  $\frac{1}{2}$ " asphalt is required. When these instances occur, Street Operations must rely upon the material from Reed & Graham, at a price 5.7% higher than the lowest bid, and sometimes Graniterock, whose bid pricing

for this particular material is 13% higher. Additionally, Reed & Graham is the secondary supplier for chip seal oil, required throughout the summer months, and the primary supplier for crack seal material. Finally, Reed & Graham is the only available dump location for removed asphalt that contains reinforcing fabric.

An increase to the Reed & Graham contract is therefore recommended. It is nearly exhausted, and the likelihood is high that more material will be needed from them. The purchase order with the primary asphalt supplier, Granite Construction Company, is largely unused. Of the original purchase order limit of \$956,400 for Granite Construction, only \$184,777 (19%) has been expended, leaving a balance of \$771,623.

Should it become operationally necessary to increase the contracts due to plant closures, unavailability of materials, or increased street repair work, approval is requested to authorize the City Manager to modify the blanket purchase orders during the current term expiring January 31, 2016, subject to budget appropriation control limits. Council previously authorized the City Manager to renew the contracts for two successive renewal periods not-to-exceed budgeted amounts (RTC No. 14-0715).

### **FISCAL IMPACT**

While the City must pay higher bid pricing when materials are not available from the primary, low bid suppliers, sufficient funds are budgeted in Operating Programs 120 (Pavement Maintenance, Traffic Signs and Markings), 360 (Water Resources), and 367 (Wastewater Collection Systems).

### **Funding Source**

Funding for street repairs is provided by the General and Gas Tax Funds for general street maintenance, and the Water Supply and Distribution and Wastewater Management Funds for work specific to those individual utilities.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

### **RECOMMENDATION**

Amend an existing contract with Reed & Graham for the purchase of asphaltic materials by increasing the not-to-exceed value to \$316,260; and delegate authority to the City Manager to increase the three supplier contracts during the current term based on operational need and subject to budget appropriation control limits.

Prepared by: Pete Gonda, Purchasing Officer

Reviewed by: Grace K. Leung, Director, Finance

Reviewed by: Manuel Pineda, Director, Public Works

Reviewed by: Jane Chambers, Interim Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENT**

1. Draft Blanket Purchase Order