



Legislation Details (With Text)

**File #:** 19-350      **Version:** 1

**Type:** Procurement Award      **Status:** Agenda Ready

**File created:** 4/4/2019      **In control:** City Council

**On agenda:** 5/7/2019      **Final action:**

**Title:** Approve the use of an alternative procurement method as a pilot and award Procurement 19-152, Hot Mix Asphalt to Arrow Road Construction, Builders Asphalt, Chicago Materials Corporation, PT Ferro, RW Dundeman and Superior Asphalt Materials for an amount not to exceed \$175,000 and for a one-year term

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

**CITY COUNCIL AGENDA ITEM**

**ACTION REQUESTED:**

Approve the use of an alternative procurement method as a pilot and award Procurement 19-152, Hot Mix Asphalt to Arrow Road Construction, Builders Asphalt, Chicago Materials Corporation, PT Ferro, RW Dundeman and Superior Asphalt Materials for an amount not to exceed \$175,000 and for a one-year term

**DEPARTMENT:** Department of Public Works

**SUBMITTED BY:** Richard Dublinski, Director

**BOARD/COMMISSION REVIEW:**

N/A

**BACKGROUND:**

The Department of Public Works (DPW) maintains approximately 500 centerline miles of pavement, which requires the use of hot mix asphalt (HMA) to perform day-to-day maintenance and emergency repairs by DPW crews. HMA is also used as part of the Alley Improvement Program (CIP SC-223). The HMA is required to comply with the latest edition of the State of Illinois Standard Specifications for hot mix asphalt material.

DPW has historically solicited bids for HMA but routinely only received one response. The table below provides a summary of the number of responses and the awarded bidders for the last eight bids.

Procurement Number	Number of Responses	Awarded Bidder(s)
09-027	3	Chicago Materials Corp (K-Five)
10-062	1	Chicago Materials Corp (K-Five)
11-049	1	Chicago Materials Corp (K-Five)
12-069	2	Chicago Materials Corp (K-Five) Superior Asphalt Materials (Geneva Construction)
13-052	1	Chicago Materials Corp (K-Five)
14-088	1	Chicago Materials Corp (K-Five)
15-057	1	Chicago Materials Corp (K-Five)
17-167	1	Chicago Materials Corp (K-Five)

The lack of bidders is a concern for staff. From an operational perspective, Chicago Materials Corporation (K-Five) is the closest facility to the City of Naperville so the City’s trucking costs are minimized. However, HMA plants typically require a minimum of 500 tons of material to be produced per day in order to operate. The total quantity in DPW’s hot mix asphalt bid does not meet this requirement. As such, DPW is dependent upon other users requesting material and the supplier producing the correct mix in order to be able to obtain material for its HMA projects. If the hot mix asphalt plant is not operating or not producing the hot mix asphalt mix that DPW requires that day, DPW must call around to other suppliers to see if they are producing the required mix. This is an inefficient operation. Additionally, the lack of competition is a concern from a procurement perspective. Limited competition generally has the effect of higher bid prices.

Prior to soliciting an HMA bid for 2019, staff conducted research to identify all of the hot mix asphalt producers within a 35-mile radius to verify that there were multiple vendors in this market. Six producers were identified. A 35-mile radius was chosen to offset trucking costs and HMA temperature concerns. HMA must be applied above a minimum temperature in order for it to be properly compacted.

Staff then evaluated the bid specification to determine if modifications could be made to encourage more participation. Staff considered adding a cost adjustment factor, removing the distance adjustment factor, awarding to multiple vendors, including the quantity in one of the TED Business Groups roadway maintenance bids, and adding options to allow the producers to transport the product. Additionally, hot mix asphalt suppliers were contacted to ascertain why they did not respond to the City previous bids. Based upon the evaluation, the new bid was modified to:

- Allow the City to award the bid to multiple vendors;
- Reduce the distance adjustment factor to apply; and
- Add transportation options.

Bid 19-034 was advertised in March 2018. Area materials companies were contacted and told that the City would be awarding to multiple vendors and they were encouraged to bid. However, only one bidder, Chicago Materials Corporation, responded to the bid. The bid amount was substantially greater than prior HMA bids. The table below provides a comparison of the low bid unit costs from the last three HMA bids.

HMA Mix	Bid 19-034 (per ton)	Bid 17-176 (per ton)	Bid 15-057 (per ton)
Binder, N50	\$65.25	\$49.50	\$55.25
Surface, Mix D, N50	\$70.00	\$52.75	\$60.75
Surface, Mix D, N70	\$70.25	\$53.25	\$61.00

However, when staff compared the HMA unit prices to the HMA line items in the City’s 2019 street resurfacing programs, the unit prices were consistent. Overall, asphalt prices have increased this year compared to previous years.

When staff contacted some of the vendors who did not bid, the vendors indicated that they were deterred from bidding due to the concern of asphalt pricing volatility this year. In addition, some vendors felt that the City would generally use Chicago Materials Corporation because of its convenient location.

**DISCUSSION:**

Staff is not recommending the City Council award Bid 19-034 to Chicago Materials Corporation. Instead, staff is recommending the City Council approve the use of a pilot program to test an alternative procurement method for HMA.

Pilot Program

In order to ensure that DPW can obtain hot mix asphalt when it is needed, staff recommends the City Council approve an award to all of the identified HMA suppliers within a 35-mile radius of the City. The identified suppliers include: Arrow Road Construction, Builders Asphalt, Chicago Materials Corporation, PT Ferro, RW Dundeman and Superior Asphalt Materials. As stated previously, a 35-mile radius was selected because it was determined to be the farthest trucking distance allowable without impacting DPW’s labor resources and the temperature of the HMA. As projects are scheduled, DPW staff will contact one or more vendors to see if they can provide the material and the unit cost for the material. If a vendor is able to provide the required mix on the requested day at an acceptable unit cost, DPW will place an order with the vendor.

The pilot program has been designed to give DPW the flexibility to use multiple vendors to ensure that the material will be available when needed from a vendor in the area. The award amount is based on anticipated quantities for maintenance, repair and paving activities, including the Alley Improvement Program.

Analysis/Next Steps

In order to test the validity of this procurement method, DPW and Procurement staff will track the following information each time DPW purchases HMA under this contract: quantity requested, contacted vendor(s) and material unit cost(s). This information will be analyzed to determine if there is a benefit for the City to purchase at the daily market rate or to lock in a rate for a period of time (i.e. 3 months, 6 months, 1 year).

Based upon the results of this analysis, staff will determine the best method for procuring HMA in 2020.

The term of this contract is one year from award and ending on April 30, 2020.

**FISCAL IMPACT:**

CIP #: SC223, Alley Improvement Program

Hot Mix Asphalt is expensed to the operating supplies and infrastructure accounts listed below. A total of \$92,500 has been budgeted for street maintenance supplies, including hot mix asphalt. An additional \$110,000 has been budgeted for work related to SC223, Alley improvement Program, through the Road and Bridge Fund. Repaving the lot at Water Tower West will be funded through the Burlington Fund.

<b>Account Number</b>	<b>Fund Description</b>	<b>Total Budget Amount</b>
31251100-541407	General Fund	\$498,735
31251200-541407	Commuter Parking Fund	\$67,155
31252400-551502	Road and Bridge Fund	\$110,000