



November 9, 2017

To: Transit Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Agreement for Liquefied Natural Gas Storage Tank Removal at the Anaheim and Garden Grove Bus Bases

Overview

As part of the Orange County Transportation Authority's Fiscal Year 2017-18 Budget, the Board of Directors approved the removal of liquefied natural gas storage tanks at the Anaheim and Garden Grove bus bases. Bids were received in accordance with the Orange County Transportation Authority's public works procurement procedures. Board of Directors' approval is requested to execute the agreement.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1756 between the Orange County Transportation Authority and Gems Environmental Management Services, Inc., the lowest responsive, responsible bidder, in the amount of \$1,791,306, for removal of liquefied natural gas storage tanks at the Anaheim and Garden Grove bus bases.

Discussion

The Orange County Transportation Authority (OCTA) completed construction of the Anaheim and Garden Grove bus bases in 1983 and 1977, respectively. As part of OCTA's alternative fuel program, OCTA transitioned from diesel buses to liquefied natural gas (LNG) buses beginning in 2000, and to compressed natural gas buses in 2007. To support operations out of the Anaheim and Garden Grove bus bases, two 25,000-gallon LNG underground tanks and LNG fuel station-related equipment were installed at each of these bases in 2000 and 2001. OCTA is currently phasing out the use of its LNG bus fleet and will no longer require LNG fueling facilities by the end of 2017. OCTA has been in discussions with the State of California (State) Department of Industrial Relations (DIR), Pressure Vessel Unit, which is the responsible regulatory agency for underground storage pressure vessels in the State, related to

inspection and removal of the tanks, and the DIR has agreed to allow OCTA to remove the tanks by the end of 2018 (Attachment A).

Procurement Approach

The procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for public works projects. These procedures, which conform to both federal and state requirements, require that contracts are awarded to the lowest responsive, responsible bidder after a sealed bidding process.

On July 24, 2017, the Board authorized the release of Invitation for Bids (IFB) 7-1756, which was issued electronically on CAMM NET. The project was advertised on July 26 and August 2, 2017, in a newspaper of general circulation. A pre-bid conference and job-walk were held on August 1, 2017, and was attended by 14 firms. Four addenda were issued to provide the pre-bid conference registration sheets and handle administrative issues related to the IFB. On August 24, 2017, one bid was received and publicly opened. The bid received from GEMS Environmental Management Services, Inc. (GEMS) was in the amount of \$ 1,791,306.

The bid was reviewed by staff from both the Contracts Administration and Materials Management (CAMM) and Facilities Engineering departments to ensure compliance with the contract terms and conditions, and technical specifications.

The engineer's estimate for the project was \$1,500,000. The recommended firm's bid is 19.4 percent over the engineer's estimate. Staff conducted an extensive cost analysis and assessment of the bid components with the design consultant, STV Incorporated. The project is specialized in nature and subject to extensive regulatory requirements.

An analysis of the bid showed that GEMS' cost elements for tank removal at the Garden Grove Bus Base exceeded the engineer's estimate. The primary reason for this was due to the limited staging space and the lack of available area adjacent to the excavation location at the bus base to stockpile the excavated material, thus requiring additional trucking resources to handle excavated materials. Costs for electrical materials and switchgear cabinet equipment removal were also underestimated for the job.

OCTA's Health, Safety, and Environmental Department has indicated a potential risk of state penalties for failure to complete the LNG tank removal by

December 31, 2018. Potential penalties range from \$7,000 per general violation, up to \$250,000 per willful violation. Given that the tank removal is anticipated to take 270 days for completion, re-bidding the project will not necessarily guarantee a lower price nor allow for the project to be procured and work completed within the timeframe as agreed upon with the DIR.

After a cost analysis of the bid components and consideration of site conditions, along with the urgency of the project to meet the requirements set forth by the State DIR, staff is recommending this award. The recommended firm met all the requirements of the IFB, as well as all federal and state requirements.

In accordance with OCTA's procurement policies and procedures, a single bid requires OCTA's Internal Audit Department (Internal Audit) to conduct a review to determine if there was adequate competition. Based on Internal Audit's review, the procurement was handled in a fair and competitive manner. In addition, CAMM contacted several bidders that downloaded the IFB from OCTA's CAMM NET website to inquire why bids were not submitted. Most of the bidders contacted indicated that a bid was not submitted due to lack of expertise in the scope of work, were busy with other projects, or did not have bonding capacity.

State law requires award to the lowest responsive, responsible bidder. As such, staff recommends award to GEMS, the lowest, responsible bidder, in the amount of \$1,791,306, for the project.

Fiscal Impact

The project was approved in OCTA's Fiscal Year 2017-18 Budget, Capital Programs Division, Account 0030-6049-D3120-MIR, and is funded with Federal Transit Administration 5337 State of Good Repair Grants.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1756 between the Orange County Transportation Authority and Gems Environmental Management Services, Inc., the lowest responsive, responsible bidder, in the amount of \$1,791,306, for liquefied natural gas tank removal at the Anaheim and Garden Grove bus bases.

Attachment

- A. Letter from Donald C. Cook, Principal Safety Engineer, State of California Department of Industrial Relations, to James J. Kramer, P.E., Principal Civil Engineer, Orange County Transportation Authority, Dated September 14, 2012

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