



March 12, 2018

Mr. Curt Bauers, P.E.  
City of Brighton  
500 South 4th Avenue  
Brighton, CO 80601

Re: Erger's Pond Augmentation Station Bids and Award

Dear Mr. Bauers,

On February 21, 2018 the City of Brighton (City) received three (3) bids for the construction of the Erger's Pond Augmentation Station from the following contractors in the following amounts:

Aslan Construction – \$5,928,900  
Velocity Constructors – \$6,681,535  
Moltz Construction Inc. – \$6,908,000

Burns & McDonnell (BMcD) has worked with all three contractors on previous projects of similar scope and complexity and believes that all three firms are qualified and capable of constructing the project. BMcD has not examined the bid documentation, but believe all three bids to be responsive and the bidders responsible.

In September 2017 BMcD prepared an engineer's opinion of probable cost that totaled \$5,425,000. We understand the fact that the lowest bid is greater than our cost opinion has made the City question whether or not the project should be awarded. BMcD recommends that the City proceed with awarding the project to the lowest responsive and responsible bidder, Aslan Construction.

BMcD believes the bids received are an accurate reflection of the contract value at this time and in these market conditions. In our opinion, it is unlikely that re-bidding the project immediately, later this year, or further into the future, would result in lower bid prices for several reasons.

1. We have observed an across the board increase in demand for water and wastewater specialty contracting which has been evident in fewer bids received on similar projects for other clients.
2. Outside of the water/wastewater specific market, increased demand for labor and materials is evident and is anticipated to further increase pricing for labor and raw materials.
3. Proposed tariffs on imported steel and aluminum are expected to have a significant and immediate impact on material pricing. Suppliers are already notifying customers of pending pricing increases and of their intent to enforce 'expiration dates' on pricing already issued.

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4. The Erger's Pond Augmentation Station also includes a substantial amount of inherent risk due to its location. If the market conditions described above persist, potential contractors are less likely to aggressively price risks for temporary shoring, dewatering, slurry wall repairs, work in the floodplain, and work in the South Platte River itself.

Regarding the engineer's opinion of probable cost; BMcD follows the AACE (American Assoc. of Cost Engineering) Cost estimate classification system for Engineering, Procurement, and Construction for the process industries. For a Class 1 estimate, at 65-100% design completion, the expected accuracy range is -3% to -10% for low range and +3% to +15% for the high range. In this case, the low bid is +9.3% more than the cost opinion, within the expected range. Our cost opinion included a larger than normal contingency of 20%, that we felt represented the higher than normal level of risk described in item 4 above. In our opinion, the market and economic factors described in items 1 and 2 above have affected pricing since September, 2017 and were evident in the fact that no bids were received when this project bid in January, 2018. In hind sight, our engineer's opinion of probable cost should have been adjusted at that time to reflect what the market appears to have told us.

Burns & McDonnell, with the City's consent, has already begun exploring value engineering items to reduce the overall cost of the project and intends to continue exploring additional items that meet the City's operational needs and budget requirements. Our team remains committed to delivering a successful project for the City. If you have any additional questions, feel free to contact me at 303.474.2226 or [abeeson@burnsmcd.com](mailto:abeeson@burnsmcd.com).

Sincerely,



Anthony C Beeson, P.E.  
Project Manager