

DATE: October 18, 2004
TO: Municipal Clerk
FROM: Byron E. Johnson, C.P.M.
Director of Purchasing x 4313
THRU: Aurora Wells
Interim Bid Clerk ext. 4038



Please place the following item on the **CONSENT** agenda for the Council Meeting of **OCTOBER 26, 2004**.

Item should read as follows:

Approve Change Order No. Two for the Citywide Repair or Construction of Parkway Structures 2003/2004, Base Bid I (Contract No. 2003-060 C-1), with J.A.R. Concrete, Inc., as follows:

It has been determined that extraordinary increases have occurred in the global steel market. Therefore, in order to be fair and reasonable, contract unit prices are hereby adjusted due to such increases in steel costs. Item No.'s 32, 33, 34, and 44 are amended as shown on Change Order attachment, Exhibit A.

Item No.'s 36, 37, 38, 39 (related to wrought iron fencing), and 40, 41, 42 and 43 (related to chain link fencing), will no longer be used under this contract.

This is a unit price contract. This Change Order is processed for changes to unit price items as noted in the attachment.

Contact person: Byron Johnson, Director of Purchasing, (915) 541-4313.

AGENDA FOR: **OCTOBER 26, 2004**

Agenda Item Form

Agenda Date: 10/26/04

Districts Affected: All

Dept. Head/Contact Information: Byron Johnson, Director, Purchasing Department

Type of Agenda Item:

- | | | |
|---|---|--|
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Staffing Table Changes | <input type="checkbox"/> Board Appointments |
| <input type="checkbox"/> Tax Installment Agreements | <input type="checkbox"/> Tax Refunds | <input type="checkbox"/> Donations |
| <input type="checkbox"/> RFP/ BID/ Best Value Procurement | <input type="checkbox"/> Budget Transfer | <input type="checkbox"/> Item Placed by Citizen |
| <input type="checkbox"/> Application for Facility Use | <input type="checkbox"/> Bldg. Permits/Inspection | <input type="checkbox"/> Introduction of Ordinance |
| <input type="checkbox"/> Interlocal Agreements | <input type="checkbox"/> Contract/Lease Agreement | <input type="checkbox"/> Grant Application |
| <input checked="" type="checkbox"/> Other <u>Change Order</u> | | |

Funding Source:

- General Fund
 Grant (duration of funds: _____ Months)
 Other Source: Various

Legal:

- Legal Review Required Attorney Assigned (please scroll down): Terri Cullen-Garney Approved Denied

Timeline Priority: High Medium Low # of days: _____

Why is this item necessary:

Change Order is processed for changes to some unit price items and to delete items that will no longer be used.

Explain Costs, including ongoing maintenance and operating expenditures, or Cost Savings:

Costs associated with this change order will be distributed among all work orders issued under this contract.

Statutory or Citizen Concerns:

N/A

Departmental Concerns:

N/A

DATE: October 18, 2004
TO: Municipal Clerk
FROM: Byron E. Johnson, C.P.M.
Director of Purchasing x 4313
THRU: AURORA WELLS
Interim Bid Clerk ext. 4038



Please place the following item on the **CONSENT AGENDA** for the Council Meeting of **OCTOBER 26, 2004**.

Item should read as follows:

Approve Change Order No. Two for the Citywide Repair or Construction of Parkway Structures 2003/2004, Base Bid I (Contract No. 2003-060 C-1), with J. A. R. Concrete, Inc., as follows:

It has been determined that extraordinary increases have occurred in the global steel market. Therefore, in order to be fair and reasonable, contract unit prices are hereby adjusted due to such increases in steel costs. Item Nos. 32, 33, 34, and 44 are amended as shown on Change Order attachment, Exhibit A.

Item Nos. 36, 37, 38, 39 (related to wrought iron fencing), and 40, 41, 42 and 43 (related to chain link fencing), will no longer be used under this contract.

This is a unit price contract. This Change Order is processed for changes to unit price items as noted in the attachment.

Contact person: Byron Johnson, Director of Purchasing, (915) 541-4313.

AGENDA FOR: **OCTOBER 26, 2004**

**CITY OF EL PASO PURCHASING
CHANGE ORDER**

DATE: 09/30/04	CHANGE ORDER NO.: 2
	<input type="checkbox"/> SCOPE CHANGE <input checked="" type="checkbox"/> CONSTRUCTION CHANGE
PROJECT: City Wide Repair or Construction of Parkway Structures 2003/2004, Base Bid I	BID NO.: 2003-060 C-1
TO (Contractor): J.A.R. CONCRETE, INC.	ACCOUNT INFO: VARIOUS
	PO NO.: VARIOUS

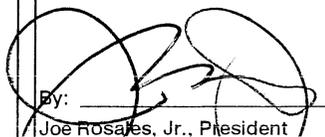
You are directed to make the following changes in this Contract:

Contract is hereby amended as follows:

- 1) It has been determined that extraordinary increases have occurred in the global steel market. Therefore, in order to fair and reasonable, contract unit prices are hereby adjusted due to such increases in steel costs. Item Nos. 32, 33, 34, and 44 are amended as shown (highlighted) on Exhibit A, attached.

- 2) Item Nos. 36, 37, 38, 39 (related to wrought iron fencing), and 40, 41, 42, 43 (related to chain link fencing), will no longer be used under this contract.

Net changes to individual line items are as attached.

<p style="text-align: center;">CITY OF EL PASO</p> <p>TWO CIVIC CENTER PLAZA EL PASO, TX-79901</p> <p>CITY COUNCIL ACTION REQ'D: CIRCLE ONE: <u>YES</u> NO</p> <p>DATE APPROVED: _____</p> <p>ENGINEERING DEPARTMENT:</p> <p>By: _____ Patrick E. Conner, City Engineer</p> <p>Date: _____</p>	<p style="text-align: center;">ARCHITECT / ENGINEER In-House</p> <p>By:  Daryl Cole, Streets Director</p> <p>Date: <u>10/15/04</u></p>	<p style="text-align: center;">CONTRACTOR J. A. R. Concrete, Inc.</p> <p>By:  Joe Rosales, Jr., President</p> <p>Date: <u>10-13-04</u></p>
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CITYWIDE REPAIR OR CONSTRUCTION OF PARKWAY STRUCTURES 2003-2004

ITEM	DESCRIPTION	UNITS	CONTRACT PRICE PER UNIT	PROPOSED CHANGE ORDER AMOUNT PER UNIT	UNIT	TOTAL	UNIT	% Change
32	CONCRETE CHANNEL LINING (PLACEMENT)	SY	\$10.00	\$ 2.00	SY	\$12.00	SY	20.00%
33	CONCRETE CHANNEL LINING (REPLACEMENT)	SY	\$12.00	\$ 2.00	SY	\$14.00	SY	16.67%
34	8" REINFORCED RETAINING CONCRETE WALL (PLACEMENT)	CY	\$100.00	\$ 18.00	CY	\$118.00	CY	18.00%
36	WROUGHT IRON GATE (PLACEMENT)	SF	\$9.00	na	SF	na	SF	NA
37	WROUGHT IRON GATE (REPLACEMENT)	SF	\$10.00	na	SF	na	SF	NA
38	WROUGHT IRON FENCING (PLACEMENT)	LF	\$6.00	na	LF	na	LF	NA
39	WROUGHT IRON FENCING (REPLACEMENT)	LF	\$10.00	na	LF	na	LF	NA
40	7 FT CHAINLINK FENCH W/ 1FT. (3 STRAND) BARBED WIRE (PLACEMENT)	LF	\$14.00	na	LF	na	LF	NA
41	7 FT CHAINLINK FENCH W/ 1FT. (3 STRAND) BARBED WIRE (REPLACEMENT)	LF	\$7.00	na	LF	na	LF	NA
42	7 FT CHAINLINK FENCE (PLACEMENT) GATE	SF	\$12.00	na	SF	na	SF	NA
43	7 FT CHAINLINK FENCE (REPLACEMENT) GATE	SF	\$12.00	na	SF	na	SF	NA
44	PARKING METER PIPE (PLACEMENT)	EACH	\$50.00	\$ 12.50	EA	\$62.50	EA	25.00%

CITY OF EL PASO STREET DEPARTMENT

MEMORANDUM

September 28, 2004

TO: Byron Johnson, Director of Purchasing

FROM: Daryl W. Cole, Streets Director  9/28/04

SUBJECT: Citywide Repair or Construction of Parkway Structures Bid No. 2003-060
Response to Request for Change Order dated May 25, 2004

As a result, due to JAR Concrete, Inc.'s (contractor) request for a change order a meeting was conducted on August 16, 2004 with the contractor, Purchasing and Street Departments for the purpose of discussing and/or negotiating the contractor's proposed increases in unit rates for steel related items for the subject contract.

At that meeting it was determined that in fact extraordinary increases have occurred in the global steel market and that the contractor's request to adjust their unit prices due to such steel cost increases were fair and reasonable.

The summary confirmation of the negotiation for increases attributable to steel components was summarized in the contractor's letter dated September 13, 2004.

The Street Department concurs with the unit rate increases by the contractor in this Change Order request.

DWC

Cc: Barbara Crumley Contract Compliance

Enclosures: Bid Item Summary
Letter from JAR dated 5/25/04
Letter from JAR dated 9/13/04



9613 CARNEGIE AVENUE
P.O. BOX 370540
EL PASO, TEXAS 79937-0540
(915) 591-3389
(915) 591-8253 Fax

September 13, 2004

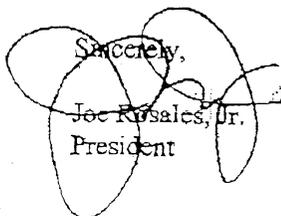
City of El Paso
Mr. Byron Johnson
Director of Purchasing
#2 Civic Center Plaza
El Paso, Texas 79901

RE: Citywide Repair or Construction of Parkway Structures 2003-2004

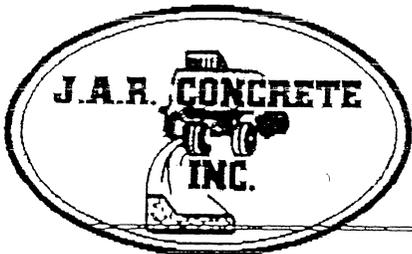
Dear Mr. Johnson,

Please note below the following increases to various bid items as agreed to in the meeting held in your office few weeks ago. Our steel supplier has notified me that these prices our good through November of 2004 at which point prices are subject to increase if necessary. Please note our chain link fence and wrought iron subcontractor revised prices have more than doubled from our present price. Therefore from this point forward any bid items requiring wrought iron fencing and chain link fencing will not be performed by J.A.R. Concrete Inc in our present contract. Below are the items of work that will be affected by the increase of steel prices reflecting the agreed upon increase prices.

Bid Items # 12 and 13 (4 inch Concrete Drive 6x610x10 mesh wire).....nine cents/SF increase
Bid Items # 14 and # 15 (6 inch Concrete Drive 6x6x6x6 mesh wire)...fifteen cents/SF increase
Bid Items #20, 21, 22, 23, 27, (Rockwall Placement rebar for footing).....\$1.50/Perch
Bid Item # 28 (4 inch Concrete Slab 6x6 10x10 mesh wire).....eighty-one cents/SY
Bid Items #29 (4 and 6 inch Concrete Slab mesh wire)\$1.30/SY
Bid Item #30 Reinforced Footing.....\$12.00/CY
Bid Item #31 Concrete Bus Pad.....\$400.00/EA
Bid Item # 32, 33 Concrete Channel Lining.....\$2.00/SY
Bid Item # 34 8 inch Reinforced Retaining Wall.....\$18.00/CY
Bid Item # 36,37,38,39 Wrought Iron Fencing..... (Work to be performed by others)
Bid Item # 40, 41, 42, 43 Chain link Fencing..... (Work to be performed by others)
Bid Item # 44 Parking Meter Pipe.....\$12.50/Ea

Sincerely,

Joe Rosales, Jr.
President

CC: Rick Talamo, Purchasing Department- Contract Compliance
Harold Kutz, P.E., Street Planning and Quality Control
Martin Jaquez, Streets Planning and Quality Control



9613 CARNEGIE AVENUE
P.O. BOX 370540
EL PASO, TEXAS 79937-0540
(915) 591-3389
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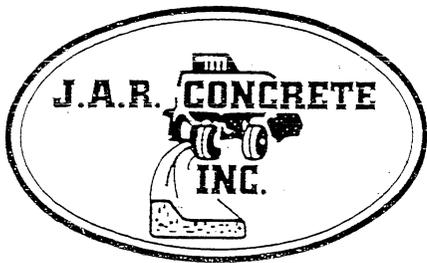
FACSIMILE TRANSMITTAL SHEET

TO: Harold Kutz	FROM: Joe Rosales Jr.
COMPANY:	DATE: 9/14/04
FAX NUMBER: 621-6772	TOTAL NO. OF PAGES INCLUDING COVER: 2
PHONE NUMBER:	SENDER'S REFERENCE NUMBER:
RE:	YOUR REFERENCE NUMBER:

- URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

All information contained in this facsimile message is confidential information intended only for the use of the individual or entity to whom it is addressed. Should the reader of this message not be the intended recipient or agent responsible for delivery to the intended recipient. You are notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender by telephone and immediately return the original via U.S. Postal Service. Thank you for your cooperation.



9613 CARNEGIE AVENUE
P.O. BOX 370540
EL PASO, TEXAS 79937-0540
(915) 591-3389
(915) 591-8253 Fax

May 25, 2004

El Paso Street Department
ATTN: Mr. Daryl Cole
Streets Director
7969 San Paulo Dr.
El Paso, TX 79907

RE: Tree Farm (Chain Link Fence and Two Chain Link Gates) and Citywide Repair or Construction of Parkway Structures 2003-2004

Dear Mr. Cole,

We are in receipt of your letter dated May 6, 2004 on the above referenced project.

I talked with Jaime Huerta Contract compliance with the City of El Paso and explain to him how the how the steel shortage has created an extraordinary increase in steel prices, which were affecting some of our bid items in our citywide parkway structure contract and we need to re-negotiate some of our bid items due to circumstances beyond our control.

Mr. Huerta said he understood and suggested we speak to you. I called your office; however, you were not in. I then talked to Gerald Purcell, who also said he understood. He suggested we request a letter from our vendor and forward it to you. Please see the attached letters from some of our vendors.

In the meantime, we have received Notice to Proceed for the chain link fence at the tree farm, which we are unable to do until we reach an agreement in pricing. (See attached letter from our chain link fence subcontractor.) Also not only has JAR been affected by an increase in chain link fencing but also the items listed below.

Please note these increases started at the beginning of this year although JAR is only requesting these increases be applied to bid prices for work starting May 01, 2004. Below are the items of work that will be affected by the increase of steel prices.

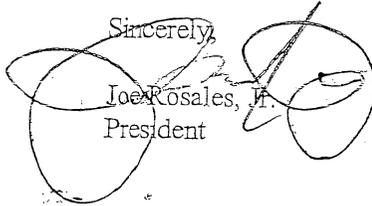
Bid Items # 12,13 and 28 (4 inch Concrete Drive 6x610x10 mesh wire)....nine cents/SF increase
Bid Items # 14 and # 15 (6 inch Concrete Drive 6x6x6x6 mesh wire)...twenty cents/SF increase
Bid Items #20, 21, 22,23,27,29 (Rockwall Placement rebar for footing).....\$1.50/Perch
Bid Item #30 Reinforced Footing.....\$12.00/CY
Bid Item #31 Concrete Bus Pad.....\$575.00/EA
Bid Item # 32, 33 Concrete Channel Lining.....\$2.15/SY
Bid Item # 34 8 inch Reinforced Retaining Wall.....\$25.00/CY
Bid Item # 36,37,38,39 Wrought Iron Fencing.....\$4.00/SF
Bid Item # 40, 41, 42 Chain link Fencing.....\$4.50/LF



Bid Item # 43 Chain link Gates..... \$3.00/SF
Bid Item # 44 Parking Meter Pipe.....\$25.00/Ea

If the above mentioned prices are acceptable, please provide me with an approval in order to secure the materials as stored materials on hand before May 31, 2004 since steel prices are scheduled to increase again in June.

Sincerely,



Joe Rosales, Jr.
President

CC: Rick Talamo, Purchasing Department- Contract Compliance
Harold Kutz, P.E., Street Planning and Quality Control
Martin Jaquez, Streets Planning and Quality Control

VALLEY FENCE CO., INC.

6684 DONIPHAN DRIVE
CANUTILLO, TEXAS 79835
(915) 877-3115
FAX (915) 877-3655

May 12, 2004

VIA HAND DELIVERY

JAR Concrete
P.O. Box 370540
El Paso, TX 79937-0540

Dear Sirs:

We are sorry to inform you that we cannot install the fence at the Tree Farm at the cost that you requested. Though we understand that you have a contract that binds you, no one could have envisioned the steel shortage that resulted in extraordinary increases. Attached you will find supporting documents from our supplier, along with a revised bid proposal. We are sorry for the inconvenience and hope that together we can surpass these volatile times.

Sincerely,



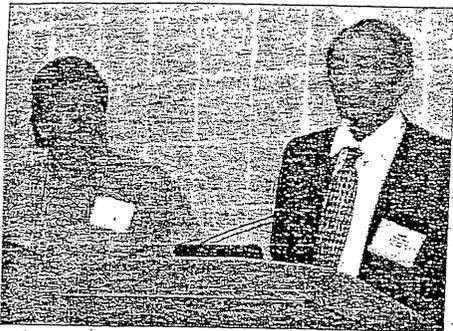
Steve Pina
VP Sales

SP:sc

Enclosures (2)

Chain link makers receive update on steel situation at special meeting

ORLANDO, Fla. — Members of the Chain Link Fence Manufacturers Institute received a briefing on the continuing crisis in the steel industry at a special meeting held in conjunction with the FENCETECH'04 trade show.



CLFMI president Ted Eysenbach, left, and executive director Mark Levin open the special meeting. (WFN staff photo)

Delivering the briefing was Charles H. Blum, a consultant on issues affecting the U.S. and international steel industries.

According to Blum, the increases in price and shortages now impacting the industry are "Unprecedented; the closest analogy might be in 1974, when U.S. price controls distorted the market. It is a global phenomenon, not restricted to the U.S. The increases have been rapid and unexpected, and the re-

sult is havoc, chaos, and desperation."

Steelmaking costs have sky-rocketed due to a number of factors, Blum said. Iron ore has risen 18.6 percent to date, with scrap iron showing a 100 percent to 150 percent jump. Coke, a major input in the steel manufacturing process, has jumped 300 percent, while energy, ground transportation and ocean freight have been on the rise.

At the same time that supplies have tightened, demand has risen, he said. Domestic demand has grown as the economy improved, but the largest development has been with the Asian market, especially the Peoples Republic of China. That country has a large and growing middle class (110 million people), and is experiencing unprecedented growth in steel consumption and production.

China is undergoing a building boom as the country develops, and also prepares for the 2008 Olympics, which will be held in Beijing.

Blum added that "absurd peaks" will pass, maybe as soon as 18 weeks, but that "casualties are to be expected among the smaller, financially weaker companies that are unable to pass along

higher costs."

He added that some relief may be on the way; the Chinese steel market is starting to cool down, easing pressure on scrap, and imports are starting to rise, although at a cost.

"Fundamentally, it is a market-driven problem. But it is not a once in a lifetime problem," he said. "The biggest global macroeconomic issue is the Chinese bubble. If it bursts under pressure of over dependence on export led growth, mounting inflation, bad loans and weak financial institutions, we will all suffer. This might be closer than we think."

Public policy choices are limited, inadequate and even irrelevant to the core of the problem, he said.

In the longer term, the country must build financial strength to survive a succession of boom/bust cycles, and monitor and understand developments in global industries to minimize the chance for surprises.



Charles H. Blum

Steel in the News

Steel in the News



WORLDSTEEL.ORG
international iron & steel institute

Steel

"... Chinese production has increased by 21.2% compared to 2002."

"With the present momentum in the world steel industry, 2004 production could reach 1,000 mmt for the first time."

"Asian production of crude steel rose by 11.1% overall, the highest of any region. Production in the Middle East rose 7.6% compared to 2002. All regions showed an increase in production; however, production in both North American and Oceania grew by less than one percent over the previous year."

Jan Christmas, ISI c/o praz@isi.de
www.worldsteel.org

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"Competition is incredibly intense among the players in China's steel industry, including the state-owned companies and the new private groups seeking to knock off their larger competitors. Price allocates resource at 'warp speed' in China..."

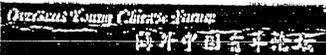
Chinese coke, is said to priced at \$133 per tonne, up from \$118 per tonne in January."

February 14, 2004

Perspectives on China, Peter F. Marusz
www.worldsteeldynamics.com

World Steel Dynamics, Inc. © 2004. All rights reserved

Perspectives



"A Comparison of the United States and Chinese Steel Industries"

"In order to provide some temporary relief to the United States steel industry, the Bush administration has recently imposed tariffs of up to thirty per cent on steel imports. This article examines the reasons why a tariff-centered strategy will not resolve the fundamental problems of the American steel industry. It will also analyze the underlying weaknesses of the American steel industry and will suggest some possible solutions. Finally, it will review China's steel industry."

Qingfeng ZHANG

Perspectives, Vol. 3, No. 6

www.oyscf.org/perspectives/18_093002/Compare_US_China_Steel.htm
Copyright © 2004, Overseas Young Chinese Forum, All Rights Reserved.



February 20, 2004

Steel prices soar 66% in a world market gone mad

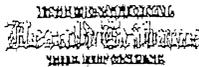
WASHINGTON - Shortage fears are leading to a rapid rise in steel prices, squeezing U.S. manufacturers already reeling from a deep three-year downturn.

The price of a ton of hot-rolled coil steel in the USA hit \$482 this month, up 56% from the recent low set in June. The price rise comes not long after President Bush ended tariffs on imported steel in December, which was expected to lead to lower prices.

USA TODAY

By Barbara Hagenbaugh

www.usatoday.com/story/industry/manufacturing/2004-02-20/steel04t



"Steel Prices Rise -- Again

Increasing demand, a weaker dollar and higher input costs mean consumers will pay more.

Just when they thought they would get a break on steel prices again, U.S. manufacturers are facing rising prices prompted by a healthier domestic steel industry and a host of global forces.

As of press time, a ton of hot-rolled sheet steel was approaching \$400, up more than \$50 per ton from early winter and about \$100 from January 2002."

International Herald Tribune

www.ihb.com

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"Steel prices soar in the UAE

Steel price increases in the UAE are worrying for contractors, reported Construction Week. Eight months ago steel was Dhs800 a tonne, now it is close to Dhs2,000. This is a problem for fixed price contracts, but for new tenders prices will be inflated to accommodate higher steel costs."

AMEInnovation

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STEEL PRICE UPDATE



Dear Valued White Cap Customer:

Subject: Steel Prices

As you may already be aware of, our industry is currently experiencing dramatic and unprecedented increases in the price of steel and wire rod.

Products affected include rebar, bulk and collated nails, tie wire, wire mesh, screws, machine and anchor bolts and many other steel based products. The supply and demand problem is due to several factors; increased demand in China to build infrastructure and a decrease in U.S. steel production capacity.

Be assured that we are doing all we can to continue to supply your projects by working closely with our vendor partners. We have many long term relationships that we believe will allow us to navigate through what might be a difficult situation. We have no reliable indication at this time how long this situation will last, but we will continue to do everything we can to keep the lanes of communication open to help you in your planning process.

We have assembled a packet of letters from some of our key steel vendors to inform you of the changes in the current conditions. You may request this information from any White Cap branch manager, your salesperson or at the "Steel Price Update" link at www.whitecap.net. As always, your White Cap salesperson is available to assist you in any way they can.

We welcome your comments and questions about this issue. Please feel free to contact us at steelprices@whitecap.net. We appreciate your business and will continue to work to earn it with each order . . . every day.

Ted Nark
C.E.O.
tednark@whitecap.net

Rik Gagnon
Sr. V.P. - Sales
rikgagnon@whitecap.net

Bob Jacoby
Sr. V.P. - Operations
bobjacoby@whitecap.net