

File No. 150044

Committee Item No. 10

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 4, 2015

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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Completed by: Linda Wong

Date February 27, 2015

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

1 [Waiving Competitive Bidding Requirement - Construction Contract - Pneumatic Tube  
2 Products Company - San Francisco General Hospital - Not to Exceed \$951,887]

3 **Ordinance waiving the competitive bidding requirement in Administrative Code,**  
4 **Section 6.20, and authorizing the Director of Public Works to enter into a construction**  
5 **contract with Pneumatic Tube Products Company in an amount not to exceed \$951,887**  
6 **for the purpose of modifying the pneumatic tube delivery systems in Buildings 5 and**  
7 **25 at San Francisco General Hospital to make one integrated pneumatic tube system to**  
8 **service both buildings.**

9  
10 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
12 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
13 **Board amendment additions** are in double-underlined Arial font.  
14 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
15 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
16 subsections or parts of tables.

17 Be it ordained by the People of the City and County of San Francisco:

18 Section 1. Background.

19 For more than 35 years, nurses, lab technicians, pharmacists, and other clinical staff in  
20 Building 5, (the current main Hospital building), at San Francisco General Hospital  
21 (“Hospital”), have relied on a dual-tube pneumatic tube system to quickly and safely deliver  
22 medications, medical records, lab specimens, sterile supplies, and other critical patient care  
23 items throughout the eight floors in the building. Pneumatic Tube Products Company (“PTP”)  
24 installed the system in Building 5 in 1976 and has been servicing that system ever since.

25 In 2008, PTP’s owner was retiring and looking for a buyer for the company. As a result,  
PTP was unable at that time to satisfy the bonding requirements that were a condition to  
submitting a bid on the work to install a new pneumatic tube system in what will be Building  
25. (Building 25 will serve as the new main Hospital building in place of Building 5 when the

1 Hospital rebuild project is completed.) The work went to the lone remaining bidder, SwissLog,  
2 Inc., which installed its single tube pneumatic tube system in Building 25. Like the system in  
3 Building 5, the system in Building 25 will be used to deliver critical care items to where they  
4 are needed throughout the building.

5 Initially, it was contemplated that the two pneumatic tube systems would connect at the  
6 Hospital's pharmacy and clinical lab. But it soon became clear that the two systems had to be  
7 fully integrated to preserve the same level of patient care that the Hospital was able to provide  
8 when only the one system in Building 5 was in place. To achieve that integration, either the  
9 PTP dual-tube system in Building 5 has to be modified and adapted to function with the  
10 SwissLog single-tube system in Building 25 or the SwissLog system has to be modified and  
11 adapted to function with the PTP system.

12 PTP has now been acquired by a new owner and possesses sufficient financial  
13 capacity to meet the bonding requirements to perform the work to integrate the two pneumatic  
14 tube systems. Accordingly, the team from the Department of Public Works ("DPW") that is  
15 managing the construction of the new Hospital ("the Rebuild Team") reviewed what it would  
16 take for SwissLog to modify and adapt the PTP system to its system, and for PTP to modify  
17 and adapt the SwissLog system to its system. The Rebuild Team has determined that it would  
18 be significantly less costly and less disruptive to the Hospital's ongoing operations to modify  
19 and adapt the SwissLog system to the PTP system.

20  
21 Section 2. Rationale for Waiver of Competitive Solicitation Requirement.

22 An integrated pneumatic tube delivery system will allow the Hospital to transport critical  
23 care items between Buildings 5 and 25 as quickly and safely as possible. Having two separate  
24 stand-alone systems is not a viable option. It would drive up the Hospital's staffing costs  
25 because materials in one building would have to be hand carried to the other building. In turn,

1 this could adversely impact patient care, especially if the material to be delivered is time  
2 sensitive.

3 Section 6.20 of the Administrative Code requires departments when procuring outside  
4 construction services for public work projects greater than \$400,000 to have a competitive  
5 selection process. There are three reasons to waive this requirement and, in accordance with  
6 the desire of DPW, award a construction services contract to PTP.

7 (a) The Rebuild Team estimates that it would be much less expensive for PTP to  
8 make the SwissLog system compatible with its system than for SwissLog to make the PTP  
9 system compatible with its system. PTP can modify its original dual-tube system in Building 5  
10 to a single tube system without having to change or modify any of the 31 control boxes that  
11 are located at 31 stations in Building 5, and would only have to replace the SwissLog  
12 computer boards in Building 25 to make the SwissLog system compatible with the PTP  
13 system. The Rebuild Team estimates that it would cost about \$1 million for PTP to complete  
14 this work.

15 By contrast, SwissLog would have to demolish and reconstruct in their entirety all 31 of  
16 the existing PTP stations in 31 separate locations on eight floors in Building 5, replace all 31  
17 of PTP's control boxes with SwissLog control boxes, and add ten new transfer stations and  
18 four blowers to the system. Because Building 5 is an older building, the kinds of alterations  
19 that would be required to demolish and reconfigure the stations to fit the SwissLog boxes  
20 could disturb hazardous materials behind the walls, such as asbestos, thereby adding an  
21 additional cost for hazardous waste containment and disposal. The Rebuild Team estimates  
22 that it would cost at least \$2 million above the cost of the PTP solution to complete this work  
23 when the building alteration costs are added to the cost of SwissLog's work.

24 (b) PTP's work in Building 5 will not disturb the continued occupation and operation  
25 of the building in the way that SwissLog's work would. All of the 31 stations in Building 5 are

1 located in fully operational patient care areas so infection control measures will be required for  
2 any construction work that takes place there. Replacing 31 control boxes, which would be  
3 necessary for SwissLog to make the PTP system compatible with its system, would require  
4 shutting down operations at each station for the duration of the work at that station while the  
5 walls are cut, the old box removed, and the new box installed and wired. Patients and clinical  
6 staff who are close to the work would also have to be moved to other parts of the building for  
7 the duration of the work. By contrast, PTP's work would require only minimal alterations to  
8 Building 5, thereby limiting the disruption to Hospital operations.

9 (c) PTP is intimately familiar with the pneumatic tube system in Building 5. It  
10 installed the system and has been servicing it for the past 35 years. PTP's greater familiarity  
11 with the system in Building 5 would likely increase efficiencies and reduce the chance of  
12 errors when performing the work on this project.

13  
14 Section 3. Local Business Enterprise Subcontracting Goals Waived Under Section  
15 14B of the Administrative Code.

16 Almost all of the work that will be necessary to modify and integrate the pneumatic tube  
17 systems in Buildings 5 and 25 requires a specialized knowledge of pneumatic tube systems.  
18 Because of the limited subcontracting opportunities presented by this work and the absence  
19 of local business enterprises ("LBEs") who are certified to provide goods or services required  
20 by this work, on December 26, 2014, the Contract Monitoring Division ("CMD") in the Office of  
21 Contract Administration granted DPW's request for a sole source waiver of the LBE  
22 subcontracting goals for this project under section 14B of the Administrative Code.

1 Section 4. Waiver of Competitive Solicitation Requirement.

2 The Board of Supervisors hereby waives the competitive solicitation requirement in  
3 Section 6.20 of the Administrative Code and authorizes the Director of Public Works to enter  
4 into a construction services agreement with Pneumatic Tube Products Company in an amount  
5 not to exceed \$951,887 for the purpose, as explained above, of modifying and integrating the  
6 pneumatic tube delivery systems in Buildings 5 and 25 at San Francisco General Hospital.

7  
8 Section 5. Effective Date.

9 This ordinance shall become effective 30 days after enactment. Enactment occurs  
10 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
11 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
12 Mayor's veto of the ordinance.

13  
14 APPROVED AS TO FORM:  
15 DENNIS J. HERRERA, City Attorney

16 By: 

17 Joseph Sandoval, Jr.  
Deputy City Attorney

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**LEGISLATIVE DIGEST**

[Waiving Competitive Bidding Requirement - Construction Contract - Pneumatic Tube Products Company - San Francisco General Hospital - Not to Exceed \$951,887]

**Ordinance waiving the competitive bidding requirement in Administrative Code, Section 6.20, and authorizing the Director of Public Works to enter into a construction contract with Pneumatic Tube Products Company in an amount not to exceed \$951,887 for the purpose of modifying the pneumatic tube delivery systems in Buildings 5 and 25 at San Francisco General Hospital to make one integrated pneumatic tube system to service both buildings.**

Existing Law

Section 6.20 of the Administrative Code requires departments when procuring outside construction services for public work projects greater than \$400,000 to have a competitive selection process.

Amendments to Current Law

This Ordinance waives the competitive solicitation requirement in Section 6.20 of the Administrative Code and authorizes the Director of Public Works to enter into a construction services agreement with Pneumatic Tube Products Company ("PTP") in an amount not to exceed \$951,887 for the purpose of modifying and integrating the pneumatic tube delivery systems in Buildings 5 and 25 at San Francisco General Hospital.

Background Information

Hospital staff in Building 5, the current main hospital building at San Francisco General Hospital ("Hospital"), rely on a dual-tube pneumatic tube system to deliver critical patient care items such as medications and lab specimens throughout the eight floors in the building. PTP installed the dual-tube system in Building 5 in 1976 and has been servicing that system ever since.

In 2008, PTP was unable to bid on the work to install a new pneumatic tube system in Building 25, the building that will replace Building 5 as the new main hospital building when the Hospital rebuild project is completed. The work went to the lone remaining bidder, SwissLog, Inc., that installed its single-tube pneumatic tube system in Building 25.

The two systems must be fully integrated for the Hospital to preserve the same level of patient care that it was able to provide when only the one system in Building 5 was in place. To achieve that integration, either the SwissLog system in Building 25 has to be modified to function with the PTP system in Building 5 or the PTP system has to be modified to function with the SwissLog system.

The team responsible for building the new Hospital ("the Rebuild Team") has determined that it would be significantly less costly and less disruptive to the Hospital's ongoing operations to modify the SwissLog system to function with the PTP system.

PTP can convert its existing dual-tube system in Building 5 to a single-tube system without having to modify any of the 31 control boxes that are located at 31 stations in the building, and would only have to replace the SwissLog computer boards in Building 25 to make the SwissLog system compatible with the PTP system. The Rebuild Team estimates that it would cost approximately \$1 million for PTP to perform this work.

By contrast, SwissLog would have to demolish and reconstruct all 31 of the existing PTP stations in Building 5 to replace all 31 of PTP's control boxes with SwissLog controls, and add ten new transfer stations and four blowers to the system to make the PTP system compatible with the SwissLog system. The Rebuild Team estimates that the alterations to Building 5 that would be required for SwissLog to make the PTP system function with the SwissLog system would add at least \$2 million to the cost of SwissLog's work, for a total project cost of approximately \$3 million.

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<p><b>Item 10</b> <b>File 15-0044</b></p>	<p><b>Department</b> Department of Public Works (DPW)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p>The proposed ordinance would waive the competitive solicitation requirement under the City's Administrative Code Section 6.20, and authorize DPW to enter into a sole-source construction services agreement with Pneumatic Tube Products Company in an amount not-to-exceed \$951,887 for the purpose of modifying and integrating the pneumatic tube delivery system in Buildings 5 and 25 at San Francisco General Hospital to provide one integrated pneumatic tube system to service both buildings.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• A new \$887,400,000 acute care and trauma building (Building 25) is currently under construction at San Francisco General Hospital (SFGH) which will replace Building 5 as the acute care hospital.</li> <li>• Pneumatic Tube Products Company (PTP) installed a pneumatic tubing system in Building 5 in 1976. An integrated pneumatic tubing system between Buildings 5 and the new Building 25 is necessary to allow staff to transport medications, medical records, and lab specimens between acute care facilities in Building 25 and support facilities in Building 5.</li> <li>• In 2009, SwissLog was awarded a subcontract under the larger SFGH Rebuild Webcor Builders contract to construct the pneumatic tubing system in the new Building 25, as well as perform the necessary modifications to the existing PTP pneumatic tubing system required to integrate the two systems for compatibility purposes.</li> <li>• By 2011, the SFGH Rebuild Team realized that the associated architectural and construction work, to be performed by a separate subcontractor, necessary for SwissLog to continue to integrate the two systems would cost approximately \$2,480,000. Including the \$752,008 to complete the pneumatic tubing conversion work, the total project cost would be \$3,232,008.</li> <li>• Alternatively, if PTP integrates the two systems, the associated architectural and construction work would cost \$240,000, and the pneumatic tubing conversion work would cost \$951,887, for a total project cost of \$1,191,887. The cost savings to DPW if PTP completes the work rather than SwissLog is estimated to be \$2,040,121.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The total project cost for PTP to perform the conversion work necessary to integrate the two existing pneumatic tubing systems would be \$951,887. Funding would come from the \$887,400,000 SFGH Rebuild Project funded with Proposition A General Obligation Bonds.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <p>Approve the proposed ordinance.</p>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Administrative Code Section 6.20 requires City departments to use a competitive selection process when procuring outside construction services for public work projects greater than \$400,000.

**Background****San Francisco General Hospital Rebuild Project**

Construction of a new acute care and trauma building at San Francisco General Hospital (SFGH), located in Potrero Hill, is currently underway at an estimated cost of \$887,400,000, including the construction of Building 25, a new nine-story 453,000 square foot building that will replace Building 5 as the acute care hospital facility. In the future, Building 5 will be used for acute care support facilities including pharmacies, labs, and administrative offices. The new Building 25 is necessary to upgrade the hospital to seismic standards mandated by California law.<sup>1</sup> The SFGH Rebuild Project is funded with \$887,400,000 of General Obligation Bonds approved by San Francisco voters in November 2008 (Proposition A). The new Building 25 is expected to be completed and ready for occupancy in December 2015.

**Pneumatic Tube System at SFGH**

A pneumatic tubing system is a network of tubes that transports items from one location to another by using compressed air and partial vacuum technology. A pneumatic tubing system is currently in place in Building 5, and one is under construction in the new Building 25. A compatible and integrated pneumatic tubing system between buildings at SFGH is necessary to allow staff to quickly and safely transport medications, medical records, lab specimens, sterile supplies and other critical patient care items between acute care facilities in Building 25 and support facilities including pharmacies, labs, and administrative offices in Building 5.

Pneumatic Tube Products Company (PTP) installed the original dual-tube pneumatic system in Building 5 in 1976, and has maintained this system for almost 40 years. In 2008, DPW issued a Request for Proposals (RFP) for a pneumatic tube system to be constructed in the new Building 25 as a subcontract under the larger \$690,000,000 Webcor Builders construction contract for the SFGH Rebuild Project. In 2008, PTP was undergoing a change in ownership and was not able to satisfy the City's bonding requirements to submit a bid for the pneumatic tubing system in Building 25. Only one company, SwissLog, responded to the RFP, and was awarded the subcontract in 2009 in the amount of \$2,185,655 as detailed in Table 1 below. The SwissLog subcontract included the construction of the new pneumatic tubing system in Building 25, as

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<sup>1</sup> In 1996, California Senate Bill (SB) 1953 was passed as an amendment to the Alfred E. Alquist Hospital Seismic Safety Act (Alquist Act) enacted in 1973, to ensure that acute care hospitals remain functional after a major earthquake. Current State law requires all general acute care hospital buildings meet explicit seismic safety standards by either retrofitting existing buildings or rebuilding new hospital buildings.

well as necessary modifications required to integrate the existing system in Building 5 for compatibility purposes.

**Table 1: Original SwissLog Subcontract for Installation of Pneumatic Tube System in Buildings 5 & 25**

Item	Price
SwissLog CTS 430 System	\$1,950,000
BIM Coordination -Preconstruction	90,000
Performance Bond	31,200
Engineering for turn-key in Building 5	114,455
<b>Total</b>	<b>\$2,185,655</b>

Source: DPW

SwissLog Scope of Work & System Installation

After securing the subcontract in 2009, SwissLog began constructing a single-tube pneumatic system in Building 25 with the intention of additionally converting the existing 31 control panels in Building 5 to make the two systems compatible. However, between April 2009 and November 2011, the SFGH Rebuild Team<sup>2</sup>, SwissLog, and clinical staff realized that to convert the existing 31 control panels in Building 5 would require opening up numerous walls, resulting in significant additional architectural and construction work. This additional architectural and construction work was not included in either the SwissLog bid or subcontract, and would have to be performed by a construction contractor, since SwissLog serves only as the pneumatic tubing service contractor. In addition, the SFGH Rebuild Team realized that this additional construction work in Building 5 would be disruptive to existing staff and patient operations and costly to complete.

Before a decision was made on how to proceed given the extensive architectural and construction costs, SwissLog continued to build out its new system in Building 25 which is expected to be completed in April 2015 as originally procured and designed. Although the two pneumatic tube systems in Building 5 and 25 are in place, the SFGH Rebuild Team has determined that having two incompatible pneumatic tube systems is not viable, as medical materials would need to be hand carried by staff between buildings which could negatively affect time-sensitive material and would drive up the hospital’s staffing costs. The Department of Public Health (DPH) would be responsible for paying courier staff, which DPH estimates would cost \$1,890,000 annually.

Two Alternative Options

The SFGH Rebuild Team identified the following two options to connect and integrate the pneumatic tubing systems in Building 5 and Building 25:

Option 1: SwissLog could make its new system in Building 25 compatible with the existing system in Building 5 by converting the 31 existing control stations in Building 5 in addition to constructing ten new transfer stations and four blowers. The bulk of this work would occur

<sup>2</sup> The SFGH Rebuild Team is comprised of three DPW project management staff, and two DPH-SFGH Program Director/operations staff.

in Building 5 which could potentially disturb hazardous materials, such as asbestos, resulting in additional costs for hazardous waste containment and disposal. As Building 5 is currently in use as an acute care hospital staff and operations would also need to be relocated while this work is completed, disturbing normal hospital operations and resulting in further costs. The SFGH Rebuild Team estimates a total cost of approximately \$3,232,008 to complete this work.

Option 2: PTP could make its existing system in Building 5 compatible with the new SwissLog system in Building 25 by connecting three SwissLog control panels in Building 5. PTP would not need to modify any of the existing 31 control panels in Building 5. This process would minimize disruption to staff or patient operations in Building 5 as the majority of work would occur in Building 25 that is not yet occupied; the work in Building 5 would be part of PTP’s install cost rather than architectural modifications by others. The SFGH Rebuild Team estimates a total cost of \$1,191,887 to complete this work.

Table 2 below summarizes these two options.

**Table 2: PTP and SwissLog Pneumatic Tube System Conversion Cost Comparison**

	Option 1: SwissLog		Option 2: Pneumatic Tube Products Co. (PTP)	
Cost to Convert to Compatible Pneumatic Tube System	\$752,008		\$ 951,887	
Architectural Modification Touch Points with accompanying Construction, Deconstruction, and Project Controls*	31 Existing Stations, \$80,000 each	\$2,480,000	3 Existing Stations, \$80,000 each	\$240,000
<b>Total Estimated Cost</b>	<b>\$3,232,008</b>		<b>\$1,191,887</b>	

\*Includes asbestos removal, infection control, wall revisions, additional inspections, etc.

Source: SF DPW

The SFGH Rebuild Team believes DPW should proceed with Option 2. Option 2 is estimated to cost \$2,040,121 less (\$3,232,008 less \$1,191,887) than Option 1, and will have minimal impact on existing hospital activities. After comparing the cost of the two options, Mr. Ron Alameida, Department of Public Works (DPW) SFGH Rebuild Program Manager, issued a cancel order for the portion of SwissLog’s contract related to this work. As a result, a credit of \$752,008 on the SwissLog subcontract was released and will be used to partially fund the cost of Option 2. At this time, Mr. Alameida advises that PTP is now in a financial position to meet the City’s bonding requirements to perform the necessary Option 2 work to convert the two pneumatic tube systems at a new subcontract cost of \$951,887.

Mr. Alameida advises that preliminary architectural drawings would be completed by LDA/KMD, an as-needed design joint venture for the SFGH Rebuild Project. Under Option 2, the estimated \$240,000 cost for associated architectural modification and related construction work would be obtained through a separate bid process. Mr. Alameida anticipates that this work will be completed by December 2015, when the new hospital is expected to open.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would waive the competitive solicitation requirement under the City's Administrative Code Section 6.20, and authorize DPW to enter into a sole-source construction services agreement with Pneumatic Tube Products Company in an amount not-to-exceed \$951,887 for the purpose of modifying and integrating the pneumatic tube delivery system in Buildings 5 and 25 at San Francisco General Hospital to provide one integrated pneumatic tube system to service both buildings.

### Rationale for Waiver of Competitive Bid Process Request

According to Mr. Alameida, because the pneumatic tubing equipment is proprietary, there are only two companies able to perform the work without replacing the system in its entirety, PTP or SwissLog. Therefore, the SFGH Rebuild Team is requesting a waiver of the competitive bidding requirement in Administrative Code Section 6.20 for a new PTP subcontract to integrate the pneumatic tube delivery system at SFGH. The SFGH Rebuild Team provides three reasons for their request to select PTP as the sole-source contractor:

- (1) The work performed by PTP and a yet to be selected contractor to complete the construction modification work would cost an estimated \$1,191,887 (Table 2 above), or an estimated \$2,040,121 less than the \$3,232,008 total estimated cost of the work by SwissLog and a yet to be selected contractor to complete the construction modification work;
- (2) PTP's construction would not disturb the continued occupation and operation of Building 5, whereas SwissLog's work would require shutting down operations at 31 control panel stations which would include deconstruction and reconstruction of station areas, including full hazardous materials and infection control measures, as well as temporarily moving patients and staff from these sites; and
- (3) PTP's familiarity with the existing pneumatic tube system in Building 5 would increase efficiencies and reduce the chance of errors throughout construction.

### Waiver of Local Business Enterprise Subcontracting Goals

On December 26, 2014, the Office of Contract Administration's Contract Monitoring Division granted DPW a sole source waiver of the Local Business Enterprise (LBE) subcontracting goals for this project, given the specialized knowledge of pneumatic tube systems required, and the absence of any LBEs who are certified to provide the goods or services required for this work.

## FISCAL IMPACT

In October 2014, PTP provided a scope of work to perform the pneumatic tubing system modification and integration work at an estimated cost of \$951,887 as shown in Table 3 below. This budget includes all labor, material, equipment, programming, and supervision to complete the project.

**Table 3: Pneumatic Tube Products Proposed Budget**

Item	Price
Tube Conversion in Building 25	\$321,726
Upgrades to Building 5	425,413
CA Office of Statewide Health Planning and Development/Seismic Upgrades	59,388
New Lab Stations	145,360
<b>Total</b>	<b>\$951,887</b>

Source: Pneumatic Tube Products

Including the amount paid to SwissLog for the work they have completed, as well as the associated architectural design and construction modifications, the total cost to create an integrated pneumatic tubing system will be approximately \$2,630,284 as shown in Table 4 below.

**Table 4: Pneumatic Tubing System Contract Amounts**

Company	Final Contract Amount
SwissLog Subcontract (adjusted) <sup>3</sup>	\$1,438,397
Pneumatic Tube Products (proposed)	951,887
Design and Construction Modifications	240,000
<b>Total</b>	<b>\$2,630,284</b>

Source: SF DPW

If DPW had continued the work as set forth in the original contract with SwissLog, the total estimated project cost for the entire pneumatic tubing system would be \$4,665,655 (\$2,185,655 for original contract amount + \$2,480,000 for architectural and construction work). This amount of \$4,665,655 is \$2,035,371, or 44%, more, than the final \$2,630,284 adjusted project cost using both SwissLog and PTP to complete the pneumatic tubing system.

**Funding Source**

Funding for the pneumatic tube system contract is within the SFGH Rebuild \$887,400,000 Construction Budget capacity. According to Mr. Alameida, there are sufficient funds under the existing SFGH Rebuild Construction Budget to complete the pneumatic tube system and associated architectural and construction work without utilizing Project contingency funds.

<sup>3</sup> According to Mr. Alameida, the final cost of the SwissLog System is \$1,438,397 including the \$752,008 credit back to the City for releasing the original work expected in Building 5, and one \$4,750 increase for tube station design costs after the 95% construction drawings.

**POLICY CONSIDERATIONS**Comprehensive Evaluation of Construction Projects

The unanticipated increase in costs and need to waive the competitive bid requirements for the integrated pneumatic tubing system between Buildings 5 and 25 resulted from (a) the existing vendor, PTP, not bidding on the project, such that the City only received one bid from an outside vendor, SwissLog, and (b) a lack of initial comprehensive evaluation of the work necessary to integrate these systems. Technically, the one bidder, SwissLog, provided an accurate bid for their portion of the work to install a new pneumatic system in Building 25, and the associated modification work necessary in Building 5. However, at the outset, neither DPW nor SwissLog evaluated the associated architectural and construction costs that would be required to complete the work, such as opening up walls in Building 5, potential hazardous materials abatement, and disturbing hospital operations that SwissLog needed to do to convert the 31 control panels in Building 5.

An initial comprehensive evaluation should be the responsibility of DPW as the overall project manager, rather than the individual bidders, as they are often not aware of the project in its entirety, or the details of the proposals from other companies. In addition, companies submitting bids should be asked to provide details about any related work that would need to be completed by other contractors in order to successfully complete their project. Although this did not initially occur on the subject integrated pneumatic tubing system for SFGH, given the current situation, the proposed ordinance to allow DPW to waive the City's competitive bid requirement to enter into a sole-source construction services agreement with Pneumatic Tube Products Company, at an estimated cost of \$951,887 to integrate the pneumatic tube delivery system at SFGH appears reasonable.

**RECOMMENDATION**

Approve the proposed ordinance.



Edwin M. Lee  
Mayor

Mohammed Nuru  
Director

San Francisco Public Works  
1 Dr. Carlton B. Goodlett Pl.  
Room 348  
San Francisco, CA 94102  
tel 415-554-6920

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January 6, 2015

Ms. Angela Calvillo  
Clerk of the Board  
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1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94102

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2015 JAN -9 AM 11:00

AK

RE: Ordinance – Waiving Competitive Bidding Requirement to Procure Construction Services to Modify Pneumatic Tube Systems at San Francisco General Hospital

Dear Ms. Calvillo:

The Department of Public Works (DPW) is seeking to waive competitive bidding requirements and to enter into a construction services agreement with Pneumatic Tube Products Co. (PTP), a specialty product installer vital to the continued operations of San Francisco General Hospital.

The attached Legislative Digest summarizes the nature of the contract and the circumstances and reasoning behind the waiver request.

The attached Ordinance provides more detailed background and rationale, also noting that that on 12/26/2014, the Contract Monitoring Division of the Office of Contract Administration granted DPW's request for a sole source waiver of the LBE subcontracting goals.

If you have any questions, please feel free to call Mr. Ronald Alameida of my staff at 415-695-3861. Thank you for your time and consideration.

Sincerely,

Mohammed Nuru  
Director, Public Works





**CITY AND COUNTY OF SAN FRANCISCO  
CONTRACT MONITORING DIVISION**

**S.F. ADMINISTRATIVE CODE CHAPTERS 12B and 14B  
WAIVER REQUEST FORM  
(CMD-201)**

Send completed waiver requests to:  
cmd.waiverrequest@sfgov.org or  
CMD, 30 Van Ness Avenue, Suite 200, San Francisco, CA  
94102

FOR CMD USE ONLY	
Request Number:	7668
2014 DEC 26 AM 11:54	
CONTRACT MONITORING DIVISION	

**Section 1. Department Information**

Department Head Signature: \_\_\_\_\_  
 Name of Department: Department of Public Works  
 Department Address: 30 Van Ness Ave., 4th Floor  
 Contact Person: Ronald Alameida  
 Phone Number: (415) 695-3861 E-mail: ronald.alameida@sfdpw.org

**Section 2. Contractor Information**

Contractor Name: Pneumatic Tube Products Co. Vendor No.: 14725  
 Contractor Address: PO Box 56865; Hayward, CA 94545-6865  
 Contact Person: Mark Nutter Contact Phone No.: (503) 705-2328

**Section 3. Transaction Information**

Date Waiver Request Submitted: 12/18/2014 Type of Contract: Sole Source - Construction  
 Contract Start Date: March 1, 2015 End Date: December 31, 2015 Dollar Amount of Contract: \$ 951,887.00

**Section 4. Administrative Code Chapter to be Waived (please check all that apply)**

Chapter 12B  
 Chapter 14B Note: Employment and LBE subcontracting requirements may still be in force even when a 14B waiver (type A or B) is granted.

**Section 5. Waiver Type (Letter of Justification must be attached, see Check List on back of page.)**

A. Sole Source  
 B. Emergency (pursuant to Administrative Code §§8.80 or 21.15)  
 C. Public Entity  
 D. No Potential Contractors Comply (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_  
 E. Government Bulk Purchasing Arrangement (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_  
 F. Sham/Shell Entity (Required) Copy of waiver request sent to Board of Supervisors on: \_\_\_\_\_  
 G. Subcontracting Goals  
 H. Local Business Enterprise (LBE)

CMD/HRC ACTION	
12B Waiver Granted: _____	14B Waiver Granted: <input checked="" type="checkbox"/>
12B Waiver Denied: _____	14B Waiver Denied: _____
Reason for Action: <u>Due to installation requirements to General Hospital Pneumatic tube system, a sole source waiver is required to continue operations</u>	
CMD Staff: <u>[Signature]</u>	Date: <u>12/26/14</u>
CMD Director: <u>Maia Cordaro</u>	Date: <u>12/26/14</u>
HRC Director (12B Only): _____	Date: _____



Edwin M. Lee  
Mayor

Mohammed Nuru  
Director

San Francisco Public Works  
1 Dr. Carlton B. Goodlett Pl.  
Room 348  
San Francisco, CA 94102  
tel 415-554-6920

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December 17, 2014

Ms. Maria Cordero  
Director, Contract Monitoring Division  
Office of the City Administrator  
30 Van Ness Ave., Suite 200  
San Francisco, CA 94102

RE: Letter of Justification – Sole Source Waiver for Pneumatic Tube Products Co.  
San Francisco General Hospital – Pneumatic Tube Connectivity

Dear Ms. Cordero:

The Department of Public Works (DPW) and Department of Public Health (DPH) are seeking a Sole Source waiver for Pneumatic Tube Products Co. (PTP), a specialty product installer vital to the continued operations of San Francisco General Hospital. Concomitant to the sole source request is a request to waive the Subcontracting Goals and Good Faith Outreach efforts.

Pneumatic Tube Products Co. has been the sole operator of San Francisco General Hospital's pneumatic tube system for over 35 years – since the construction of the existing hospital and trauma center (Building 5.) The new hospital and trauma center (Building 25) also has a pneumatic tube system installed by a competitor named SwissLog, which was procured through the competitive public bid process.

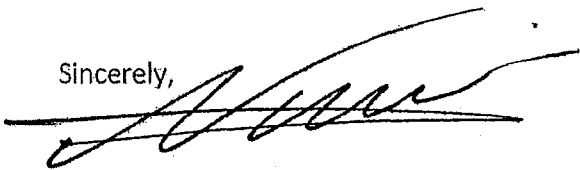
For the integration of the two buildings' pneumatic tube systems, the City had a choice of contracting with SwissLog or PTP, as control panels and other system components are proprietary to each company. PTP was chosen as the most cost-effective entity posing the least operational impacts. Contracting with PTP ensures the cost avoidance of at least \$2 million by eliminating the need for wholesale replacement of control stations at 31 locations in Building 5 with extensive reconstruction of existing hospital walls and ceilings adjacent to these pneumatic tube components. Due to the age of Building 5, the City would have encountered numerous hazardous materials abatement areas, severely inconveniencing hospital operations, extending construction times and amplifying the infection control measures needing to be implemented.

DPW and DPH seek to award the contract to PTP in the most expeditious manner possible, following City procedures for Sole Source waivers. Until PTP completes its work, General Hospital is in jeopardy of being forced to use existing and new courier personnel to transport medications, medical records, time-sensitive lab specimens, sterile supplies, and other critical patient care items between the two hospital buildings. Use of courier staff would slow down delivery times thus diminishing current patient care while elevating operational cost.

An Ordinance is being submitted to the Board of Supervisors in parallel to the CMD waiver process. The Ordinance seeks to award the Pneumatic Tube Products Co. contract on a sole source basis, waiving subcontracting competitive bidding requirements and LBE subcontracting goals. We are striving to be scheduled for Board of Supervisors' review in the January 2015 Committee and Full Board calendars.

Should you have any questions regarding this request, Ron Alameida – Program Manager for San Francisco General Hospital Rebuild – can be reached at 415-695-3861. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mohammed Nuru', written over a horizontal line.

Mohammed Nuru  
Director, Public Works

Cc: Edgar Lopez, Deputy Director for Buildings and City Architect  
Ronald Alameida, DPW Rebuild Program Manager  
Terry Saltz, DPH, DPH Rebuild Program Director

October 17, 2014

San Francisco General Hospital  
c/o Department of Public Works  
1001 Potrero Avenue  
Building 40, 3<sup>rd</sup> Floor, Mailbox 173  
San Francisco, CA 94110

ATTN: Christine Tang

Dear Christine,

This is to confirm our scope of work and pricing for the upgrade of the pneumatic tube system in bldg. 5 and the conversion and connection of bldg. 25 to existing system.

Work included: all labor, material, equipment, programming and supervision to complete the following scope of work:

1. Upgrade the existing station in Bldg 5 to accept double ended carriers
2. Replace belt exchanger with Linear exchanger
3. Run three new 4" lines from tube room in bldg. 5 to Bldg 25
4. Replace all electronics in bldg. 25 with new PTP controls
5. Run new control wire from new PTP controller to existing diverters in Bldg 25
6. Convert Bldg 25 to a PTP system, replace station panels with new CBII
7. Add one new DAC station in Clinical Lab
8. Add one new station in Micro Lab, sheet rock around station. Paint walls to match existing
9. Fire Caulking by PTP employee

We have included the following subcontractors work in our proposal:

McClure Electric, electrical work  
Superior Coring for GPR scanning for anchors

Work included will be the documentation (design-assist) and layout of the piping required to connect the two buildings, new layout of the existing tube room, documentation and layout of the added station on the second floor Micro Lab and the new DAC station in Clinical Lab. We will supply a set of stamped seismic drawings for piping, equipment and electrical contractor's work, for OSHPD submittal to your Architect of choice. Cost breakdown includes on-site layout, survey of existing conditions, AutoCAD drawings, wet-stamped Engineer's drawings and submittals.

Cost Breakdown:

Convert Bldg 25	\$321,726.00
Bldg. 5 Upgrades	\$425,413.00
OSPHD/Seismic	\$ 59,388.00
New Lab Stations	<u>\$145,360.00</u>
TOTAL	\$951,887.00

Exclusions:

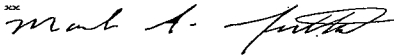
Architect fees, Permitting fees  
Asbestos Abatement, and any associated costs  
Ceiling removal or replacements  
Carrier distribution during system down

Pricing good for 60 (sixty) days.

I would like to thank you for allowing us the opportunity to bid on this work. We look forward to working with you.

If you have any questions please call.

Sincerely



Mark Nutter  
President

cc. Terry Saltz, Mike Curl

