



# Memorandum

TO: HONORABLE MAYOR  
AND CITY COUNCIL

FROM: John Stufflebean  
Katy Allen

SUBJECT: SEE BELOW

DATE: 07-20-10

Approved

Date

7-26-10

COUNCIL DISTRICT: 3

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT TO PACIFIC UNDERGROUND CONSTRUCTION, INC. FOR THE SJ-20 RECYCLED WATER SAN JOSE LATERAL AND GARDEN EXTENSIONS – PHASE A PROJECT**

## RECOMMENDATION

Report on bids and award of contract for the SJ-20 Recycled Water San Jose Lateral and Garden Extensions-- Phase A project to the low bidder, Pacific Underground Construction, Inc., in the amount of \$137,825; and approval of a budget contingency of 15% of the contract amount (\$21,000).

## OUTCOME

Approval of this contract will allow construction of a pipeline to expand the recycled water system in accordance with the cooperative agreement between the City of San José and the US Bureau of Reclamation (Bureau). Approval of a 15% contingency will provide funding for any unanticipated work necessary for the completion of the project.

## BACKGROUND

In March 2009, the Bureau announced a grant program funded by the American Recovery and Reinvestment Act of 2009 (ARRA). The City of San José submitted an application to the Bureau identifying several recycled water projects which would qualify for federal funding under the program. In April 2010, the City Council adopted a resolution authorizing the City Manager to execute an agreement with the Bureau to accept \$6.46 million in ARRA grant funding towards the design and construction of \$14.8 million in South Bay Water Recycling pipeline extensions and related facilities. The SJ-20 Recycled Water San Jose Lateral and Garden Extensions –

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Phase A project is one of eight projects defined in the agreement. A cooperative agreement between the City and the Bureau was subsequently executed on April 30, 2010.

The SJ-20 Recycled Water San Jose lateral and Garden Extensions – Phase A project involves the construction of approximately 1,190 feet of 6-inch recycled waterline. This recycled waterline will increase the amount of recycled water usage, enhance future reliability expansions of the system, and minimize capital cost. One extension, consisting of 530 feet of pipeline, will be installed along Spring Street, between Hedding Street and McKendrie Street. A second extension, consisting of 660 feet of pipeline, will be installed in Walnut Street and Taylor Street. Work is scheduled from September 2010 to November 2010. Some prospective users and customers include a carwash facility, a new community garden, a tree nursery for Our City Forest, and a recycled water access point. Prospective customers will need to complete a permitting process in order to be able to connect to the recycled water system.

Pursuant to the cooperative agreement between the City and the Bureau, this project qualifies for funding reimbursement for 44% of the total project cost. Anticipated reimbursement is approximately \$87,560.

### ANALYSIS

The project was advertised for bid and a total of seven bids were received and opened on July 15, 2010 with the following results:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance Over/(Under)</u>	
			<u>Amount</u>	<u>Percent</u>
West Valley Construction Company	San Jose, CA	\$199,310	\$ 27,510	16%
Lewis & Tibbitts, Inc.	San José, CA	\$189,665	\$ 17,865	10%
<b>Engineer's Estimate</b>		<b>\$171,800</b>		
Robert F. Enz Construction	Hollister, CA	\$171,410	(\$390)	(0%)
Fermin Sierra Construction	Union City, CA	\$169,700	(\$ 2,100)	(1%)
J&M, Inc.	Livermore, CA	\$152,701	(\$19,099)	(11%)
Casey Construction	Emerald Hills, CA	\$139,970	(\$31,830)	(19%)
Pacific Underground Construction	San José, CA	\$137,825	(\$33,975)	(20%)

The bid documents submitted by the low bidder, Pacific Underground Construction were evaluated and found to be in order. The low bid submitted by Pacific Underground Construction in the amount of \$137,825 is 20% below the Engineer's Estimate. The median and average bid amounts are 1 percent and 4 percent lower than the Engineer's Estimate, respectively. Considering the current steep competition in the construction industry in the Bay Area, staff considers the bid proposal submitted by Pacific Underground Construction reasonable for the work involved.

Council Policy provides for a standard contingency of 10% on public works projects involving utilities. However, staff recommends a 15% contingency for this project. While staff has made efforts during the design phase to locate all existing underground utilities and structures by reviewing existing record drawings and performing site surveillance, experience on recent projects has shown that conflicts with existing utilities can occur. Due to the relatively low construction cost, 10% may not adequately cover the cost of unanticipated work. A 15% contingency is expected to provide enough funding to cover for any unanticipated tasks necessary for proper completion of this work.

### EVALUATION AND FOLLOW-UP

The project is currently within budget and on schedule with a projected completion date of November 2010. No additional follow up actions with the Council are expected at this time.

### POLICY ALTERNATIVES

*Alternative # 1:* Reject all bids and drop the project

**Pros:** Capital cost savings

**Cons:** Recycled water will not be available for use at a carwash facility, new community garden, tree nursery for Our City Forest, and a recycled water access point

**Reason for not recommending:** Low construction costs due to competitive bidding climate and 44% federal reimbursement if constructed

### PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item does not meet any of the above criteria. To solicit contractors, this project was advertised in the *San José Post Record*, as well as on the Public Works Bid Hotline. This memorandum is posted on the City's website for the August 17, 2010 City Council agenda.

**COORDINATION**

This project and memorandum have been coordinated with Risk Management, Equality Assurance, the City Attorney's Office, and the City Manager's Budget Office and is scheduled to be heard at the August 12, 2010 Treatment Plant Advisory Committee (TPAC) meeting.

**FISCAL/POLICY ALIGNMENT**

There are no cost implications to the General Fund as a result of this action. This recommendation meets the general principles of the 2010-2011 Mayor's June Budget Message of providing essential public services while valuing financial sustainability and cost recovery.

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION:		<b>\$137,825</b>
2. COST OF PROJECT:		
Construction	\$	137,825
Project Delivery	\$	40,175
Contingency	\$	21,000
<b>Total Project Costs</b>	<b>\$</b>	<b>199,000</b>
Prior Year Expenditures		\$0
<b>Remaining Project Costs</b>		<b>\$199,000</b>
3. SOURCE OF FUNDING:	512 – San José/Santa Clara Treatment Plant Capital Fund	
	561 – ARRA – SBWR Memo to Fund 512	

**BUDGET REFERENCE**

The table below identifies the funds and appropriations proposed to fund the contract recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. For Contract	2010-2011 Proposed Capital Budget (Page)*	Last Budget Action (Date, Ord. No.)
<b>Total Project Costs</b>				<b>\$199,000</b>	<b>\$137,825</b>		
<b>Current Funding Available</b>							
512	6589	Revised SBAP-SBWR Extension	159695	\$9,989,000	\$77,182	V-163	6/29/2010, Ord. No. 28765
512	7161	ARRA-S. Bay Water Recycling Phase 1C	159695	\$5,794,000	\$60,643	N/A	6/29/2010, Ord. No. 28765
<b>Total Current Funding Available</b>				<b>\$15,783,000</b>	<b>\$137,825</b>		

\*The 2010-2011 Adopted Capital Budget was approved by City Council on June 29, 2010, and will be published in late summer 2010.

**CEQA**

CEQA: Resolution No. 64667, PP10-019

/s/  
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/s/  
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Director, Environmental Services

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