



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean  
Katy Allen

**SUBJECT:** SEE BELOW

**DATE:** 08-30-10

Approved

Date

9/2/10

**COUNCIL DISTRICT:** 4, 7 & 8

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT TO NORTHERN UNDERGROUND CONSTRUCTION, INC. FOR THE SJ-25 RECYCLED WATER SAN JOSE SCHOOL EXTENSIONS – PHASE B PROJECT**

## RECOMMENDATION

Report on bids and award of contract for the SJ-25 Recycled Water San Jose School Extensions – Phase B project to the low bidder, Northern Underground Construction, Inc., in the amount of \$301,322 and approval of a budget contingency of 15% of the contract amount (\$45,198).

## 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-25 Recycled Water San Jose Schools Extension 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.

This project involves the construction of approximately 2,820 feet of 6-inch and 4-inch recycled waterlines. 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 1,890 feet of pipeline, will be installed in McLaughlin Avenue and Lightland Road. A second extension, consisting of 930 feet of pipeline, will be constructed in Classico Avenue, Bianco Way, and Magnum Drive. Work is scheduled from October 2010 to January 2011. Some prospective users and customers include City parks, a church, County of Santa Clara facilities, and local schools. 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% (\$179,080) of the total project cost (\$407,000), which includes the recommended construction contract, project delivery, and contingency.

**ANALYSIS**

The project was advertised for bid and a total of eleven bids were received and opened on August 27, 2010 with the following results:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Ranger Pipelines	San Francisco, CA	\$623,516	\$223,516	56%
Pfister Excavating, Inc.	Vallejo, CA	\$552,414	\$152,414	38%
Stoloski & Gonzalez, Inc.	Half Moon Bay, CA	\$541,094	\$141,094	35%
Preston Pipelines	Milpitas, CA	\$506,116	\$106,116	27%
Sanco Pipelines, Inc.	Campbell, CA	\$485,576	\$ 85,576	21%
J&M, Inc.	Livermore, CA	\$454,297	\$ 54,297	14%
Lewis & Tibbitts, Inc.	San José, CA	\$445,026	\$ 45,026	11%
<b>Engineer's Estimate</b>		<b>\$400,000</b>		
Robert F. Enz Construction, Inc.	San José, CA	\$388,927	(\$ 11,073)	(3%)
Pacific Underground Construction	San José, CA	\$342,142	(\$ 57,858)	(14%)
Platinum Pipeline, Inc.	Dublin, CA	\$322,754	(\$ 77,246)	(19%)
Northern Underground Construction, Inc.	San José, CA	\$301,322	(\$ 98,678)	(25%)

The bid documents submitted by the low bidder, Northern Underground Construction, Inc. were evaluated and found to be in order. The low bid submitted by Northern Underground Construction, Inc. in the amount of \$301,322 is 25% below the Engineer's Estimate. The median and average bid amounts are 14 percent and 13 percent above 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 Northern Underground Construction, Inc. 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 January 2011. 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 local schools, parks, cooling towers, and a church

**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 Mercury News*, as well as on the Public Works Bid Hotline. This memorandum is posted on the City's website for the September 21, 2010 City Council agenda.

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**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 September 9, 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: **\$301,322**

2. COST OF PROJECT:

Construction	\$ 301,322
Project Delivery	\$ 60,480
Contingency	\$ 45,198
<b>Total Project Costs</b>	<b>\$ 407,000</b>

Prior Year Expenditures \$0

**Remaining Project Costs \$407,000**

3. SOURCE OF FUNDING: 512 – San José/Santa Clara Treatment Plant Capital Fund

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**BUDGET REFERENCE**

The table below identifies the funds and appropriations proposed to fund the contract recommended as part of this memo.

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>\$301,322</b>		
<b>Current Funding Available</b>							
512	6589	Revised SBAP-SBWR Extension	164545	\$9,989,000	\$168,741	V-163	6/29/2010, Ord. No. 28765
512	7161	Recovery Act-South Bay Water Recycling Phase 1C	164545	\$5,794,000	\$132,581	N/A	6/29/2010, Ord. No. 28765
<b>Total Current Funding Available</b>				<b>\$15,783,000</b>	<b>\$301,322</b>		

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

**CEQA**

CEQA: Resolution No. 64667, PP10-018

/s/  
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Director, Public Works Department

/s/  
JOHN STUFFLEBEAN  
Director, Environmental Services

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