



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: October 20, 2017

Approved

Date

10/24/17

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR 8692 –
INSTALLATIONS OF WATER SERVICES AND MAINS: 2017**

RECOMMENDATION

1. Report on bids and award of contract for the 8692 - Installations of Water Services and Mains: 2017 project to the low bidder, San Jose Water Company, for the initial term of November 2017 through November 2020, in an amount not to exceed \$685,482.
2. Adopt a resolution authorizing the City Manager to exercise one option to extend the contract for an additional one-year term after the expiration of the initial term in an amount not to exceed \$228,494, and a second option to extend the term of the contract for an additional one-year term after the first option year in an amount not to exceed \$228,494, for a total maximum contract amount of \$1,142,470 if both option years are exercised.

OUTCOME

The award of the contract for the 8692 - Installations of Water Services and Mains: 2017 project will enable the construction and installation of new water services that will provide a reliable source of water to new and existing San José Municipal Water System customers.

BACKGROUND

The San José Municipal Water System (Muni Water) is currently using the “Repairs and Installation of Water Mains and Services: 2013” contract to perform: 1) needed repairs on existing water infrastructure, such as repair of a water main break; and 2) the new installation of small services and appurtenances to the water system, such as the installation of a water service lateral or fire hydrant. The current contract, which provides that all repairs and new installations shall be made by one contractor for the duration of the contract, will expire in November 2017.

To accommodate work after expiration of the current contract, staff has elected to separate the installation work from the repairs work into two separate contracts. The work was separated into two different contracts to encourage bids from contractors who may not have the capacity and/or capability to accommodate both repair and new installation work, especially the two-hour response requirement associated with emergency repairs.

The installation work consists of installing new infrastructure such as service laterals and hydrants, including furnishing and installing all pipes, valves, fittings, and other appurtenances necessary to install minor improvements. Customers are charged for the installation of their service, including actual costs of construction, fees for new meters, and an engineering and inspection fee. Funds collected from customers are deposited back into the originating fund to achieve full cost recovery.

ANALYSIS

The project was advertised for bid and a total of one (1) bid was received and opened on Thursday, September 21, 2017 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>
Engineer’s Estimate	--	\$660,510	--	--
San Jose Water Company	San José, CA	\$685,482	\$24,972	3.8%

San Jose Water Company was the sole bidder and staff determined its bid was the low bid. In reviewing the bid and the Engineer’s Estimate, staff determined that the higher cost could be attributable to the higher overhead & profit percentage used by the contractor in comparison to the Engineer’s Estimate. The Engineer’s Estimate used a 10% overhead and profit margin and the contractor used a value of 15%. Even with this difference, the contractor’s bid is within a 5% variance of the Engineer’s Estimate.

The initial contract is a three-year term (2017-2020) with a maximum compensation of \$685,482. The first year (2017-2018) amount of \$228,494 is already included in the 2017-2018 Adopted Capital Budget. For the remaining two years of the original term, \$228,494 will be

incorporated each year into the annual budget process for that year. At the end of the initial three-year contract term, the City will have the option of extending the contract for an additional one-year period and then a second option to extend the contract for an additional one-year period following the first extension. Each option year will be subject to the same terms and conditions of the initial term, except that for each option year an adjustment can be made to the total contract compensation to add an amount not to exceed \$228,494, subject to the appropriation of funds. Staff is requesting that the City Council adopt a resolution delegating authority to the City Manager to exercise each option. If the City elects to extend the term of the contract for either one or both option years, the term extension(s) and maximum compensation will be documented in a contract change order.

The three-year initial term will provide a definite period of service continuity to customers and a potential savings in administrative costs as compared to the administrative costs of annually soliciting and awarding a new contract. The potential option years will allow staff to consider the bidding climate, budget availability, and contract scope of services to determine whether to continue with the current contract and its terms, or to prepare a new contract for bid.

Staff recommends that the City Council award the contract to the low bidder, San Jose Water Company, whose bid has been reviewed, analyzed, and found acceptable.

EVALUATION AND FOLLOW-UP

The project is currently within budget and on schedule. No additional follow-up actions with the City Council are expected at this time.

PUBLIC OUTREACH

To solicit contractors, this project was advertised in the *San José Post Record* and the complete bid package and project information was made available on *BidSync*. This memo will be posted to the City's website for the November 7, 2017 City Council meeting.

COORDINATION

This project has been coordinated with the Finance Department (Risk Management), the City Manager's Budget Office, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this action.

FISCAL/POLICY ALIGNMENT

This recommendation meets the general principles of the 2017 Mayor’s June Budge Message of providing essential public services while valuing financial sustainability and cost recovery.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$685,482*

2. COST ELEMENTS OF CONTRACT:

Project Delivery	\$75,000
Construction	<u>\$685,482</u>
TOTAL REMAINING PROJECT COSTS	\$760,482

3. SOURCE OF FUNDING: 500 – Water Utility Capital Fund

4. FISCAL IMPACT: There are no cost implications to the General Fund as a result of this action.

*Funds collected from customers are deposited back into the originating fund to achieve cost recovery.

BUDGET REFERENCE

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

Fund #	Appn #	Appn Name	Total Appn	Amt for Contract*	2017-2018 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
500	5366	Infrastructure Improvements	\$790,000	\$100,994	343	06/20/17 Ord No. 29962
500	4348	Service Installations	\$200,000	\$127,500	346	06/20/17 Ord No. 29962

*The total contract amount is for \$685,482. However, \$228,494 will be funded from existing appropriations in the 2017-2018 Adopted Capital Budget. The remainder of the contract will be anticipated in the development of the 2018-2019 and 2019-2020 Capital Budget processes, subject to the appropriation of funds.

HONORABLE MAYOR AND CITY COUNCIL

October 20, 2017

Subject: Award of Contract for Installations of Water Services and Mains: 2017

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CEQA

Exempt, File No. PP17-050, CEQA Guidelines Section 15301, Existing Facilities; Section 15302
Replace or Reconstruction.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions, please contact Jeff Provenzano, Deputy Director, Environmental Services
Department, at (408) 277-3288.