



# Memorandum

**TO:** HONORABLE MAYOR

**FROM:** Matt Cano  
John Aitken

**SUBJECT:** SEE BELOW

**DATE:** June 16, 2020

Approved

Date

**06/19/2020**

**SUBJECT: ACTIONS RELATED TO THE 9005 - MINETA SAN JOSE  
INTERNATIONAL AIRPORT - AIRFIELD ELECTRICAL SYSTEM  
REHABILITATION - PHASE 2 PROJECT**

## RECOMMENDATION

Adopt a resolution authorizing the Director of Public Works to:

- (a) Report on bids and award and a construction contract for 9005 - Mineta San José International Airport - Airfield Electrical System Rehabilitation - Phase 2 Project (Project) to the low bidder, Vellutini Corporation dba Royal Electric Company, in an amount of \$4,989,989, contingent upon the award and execution of an Airport Improvement Program (AIP) grant from the Federal Aviation Administration (FAA) in a minimum amount of \$5,000,000; and
- (b) Establish a construction contingency of 10 percent of the amount of the construction contract for the Project.

## OUTCOME

The recommendation provides the most efficient means of awarding and executing a construction contract for the Project and will provide the City with the best opportunity to take advantage of a potential Federal Aviation Administration (FAA) grant opportunity that has extremely tight time constraints. The 10 percent contingency will provide funding for any unanticipated work necessary for the proper completion of the Project.

## **BACKGROUND**

Airport staff periodically assembles a priority list of capital improvement projects that meet eligibility requirements for the FAA's Airport Improvement Program (AIP) grant funding. This priority list is submitted to the FAA for review and prioritization based on the 16 general requirements for project funding, as outlined in the FAA's AIP Handbook. To be justified as eligible for funding, proposed projects must pass three (3) basic tests: 1) Demonstrate the advancement of one of the following AIP policies: airport safety, airport security, airport capacity, meeting an FAA standard, preserving airport infrastructure through reconstruction or rehabilitation, protecting and enhancing the environment, minimizing aircraft noise impacts, and airport planning; 2) Be an actual need; and 3) Have appropriate scope.

One of the projects included in the City Council-approved multi-year funding strategy is a rehabilitation of the airfield electrical system that will enhance reliability of an aging system. It will address rehabilitating and upgrading existing facilities to newer technology and installation of new facilities and equipment within the airfield.

The Airfield Electrical System Rehabilitation - Phase 2 Project fits the necessary preservation of airport infrastructure through reconstruction or rehabilitation criteria for FAA AIP grant funding. The award of the Project is contingent upon the execution of the grant from the FAA.

The FAA has given notice to the City that the Airfield Electrical System Rehabilitation - Phase 2 project may be eligible to receive undistributed discretionary AIP funds this federal fiscal year and has asked the City to be ready to accept a potential grant offer. When there are available funds for redistribution, the FAA awards grants to sponsors that can submit the grant applications and accept grant offers within hours of notification. The FAA awards AIP grants based on actual bid results, as well as the availability of grant funds, therefore the award will be contingent upon the award of the AIP grant from the FAA. This Council Memo is a request to take advantage of this potential grant opportunity.

The Project includes rehabilitation and replacement of airfield taxiway lighting system circuit cables and transformers, conversion of non-LED light fixtures to LED, replacement of constant current regulators (CCRs) with new, and consolidation of circuits to improve efficiency in CCRs. This project provides changes to CCR controls, improvements to access and testing capability, reduction of confined space issues, and replacement of airfield lighting cables for directional signs.

Pending receipt of the FAA grant, construction is estimated to begin in October 2020 and is projected to be completed by April 2021.

**ANALYSIS**

Bids were opened on April 30, 2020 with the following results. In addition to the base bid scope of work there is one Add Alternate bid item as follows: Add Alternate No. 1: Signs.

<u>Contractor</u>	<u>Base Bid</u>	<u>Add Alt Total</u>	<u>Total Bid</u>	<u>Variance Amount</u>	<u>Over/ (Under) Percent</u>
Vellutini Corporation dba Royal Electric Company (Sacramento)	\$3,826,783	\$1,163,206	\$4,989,989	(\$3,482,688)	(41)
Aldridge Electric, Inc. (Milpitas)	4,479,209	1,055,652	5,534,861	(2,937,816)	(35)
Rosendin Electric, Inc. (San José)	5,871,467	1,267,841	7,139,308	(1,333,369)	(16)
<b>Engineer's Estimate</b>	<b>5,944,142</b>	<b>2,528,535</b>	--	--	--

The FAA advised Airports to have bids in hand by May 2020 and to allow bids to be valid through August 2020. The Airfield Electrical System Rehabilitation - Phase 2 project was bid according to the FAA's AIP program requirements allowing all bids to be valid for 120 days. The current bids are valid until August 28, 2020.

The project was advertised to include a base bid for the Taxiway System, estimated at \$5,944,143, and an Add Alternate for the Signage System, estimated at \$2,528,535.

The low bid submitted by Vellutini Corporation dba Royal Electric Company (Royal Electric) is 41 percent below the Engineer's Estimate. Staff considers the Vellutini Corporation dba Royal Electric Company (Royal Electric) proposal the lowest responsive and responsible proposal for the work specified. The Engineer's Estimate for Phase 2 was adjusted based on proposal pricing received from contractors for the Phase 1 project which was similar work recently completed. While Phase 1 was estimated and advertised during a very active construction market, the lower range of bid dollar amounts received for Phase 2 demonstrates current construction market conditions have slowed and proponents are have become more competitive. Add Alternate No. 1 for Signs is recommended for award because the project budget is sufficient to accommodate this addition to the project.

Royal Electric has been in construction business for over 40 years and has completed numerous projects as the general contractor for public agencies in California, including the City and County of San Francisco, the City of Fresno, and the County of Sacramento.

San José Municipal Code Section 27.04.050 provides that, except where Council approves a high contingency amount, the contingency for all public works contract (other than those involving the renovation of a building or buildings) cannot exceed 10 percent of the total contract amount.

The 10 percent contingency is appropriate for any unanticipated work necessary for the proper completion of the project.

The minimum FAA AIP grant application total project cost is \$6,275,036, excluding project contingency. This amount has been established based on available funds and on FAA's grant limitations placed on reimbursement for project expenditures.

The FAA AIP grant application is summarized below:

***AIP Grant Application***

<b>Description</b>	<b>Amount</b>
Federal Share	\$5,057,052
Grantee Share (Anticipate CARES Matching Funds)	\$1,217,984
<b>Total Project Costs</b>	<b>\$6,275,036</b>

**Project Labor Agreement Applicability**

A project labor agreement (PLA) is applicable to this project as the Engineer's Estimate is over three million dollars.

**Local and Small Business Outreach**

The recommended contractor is not small nor local. In order to facilitate small and local business participation on this project, procurement staff outreached by posting the project opportunity to usual websites and emailing interested parties list, both of which include local and small businesses.

**CONCLUSION**

Based on staff's evaluation of the bids, staff considers the low bid, both the base bid and Add Alternate, acceptable and can be awarded to Royal Electric, contingent upon the award and receipt of the FAA AIP Grant with a minimum amount of \$5,000,000.

**EVALUATION AND FOLLOW-UP**

No additional follow up action with the Council is expected at this time.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

## **PUBLIC OUTREACH AND DISADVANTAGED BUSINESS ENTERPRISE PARTICIPATION**

To solicit contractors, this project was listed on Biddingo for 22 days. The complete bid packages and project information for all Department of Public Works construction projects are available on Biddingo for interested contractors, contractor organizations and builders' exchanges. This memo will be posted on the City's website for the June 30, 2020 City Council meeting.

Since this Project is funded in part with a federal US Department of Transportation/FAA AIP grant, the federal Disadvantaged Business Enterprise (DBE) Program regulations found in 49 CFR Part 26 apply. The City's current DBE participation goal for its US Department of Transportation-funded Airport Improvement Program in Federal Fiscal Years 2020-2022 is 4.1% annually. The City's DBE Program for Airport capital projects is a race neutral program that does not include project specific DBE participation goals.

City staff did extensive outreach to encourage DBE participation. Outreach efforts included:

- Identification of potential/ possible subcontracting opportunities – 3 work areas identified;
- Identification of 23 certified DBEs in those 3 subcontracting work areas;
- Email blast sent to 23 certified DBEs;
- Email blast to ethnic chambers, San José Chamber, and other interested organizations including Minority Business Consortium - provided project information, subcontracting opportunities (NAICS Codes and Caltrans Work Codes), bid date and time, and DBE certification requirements;
- Posted contracting opportunity on Biddingo, FAA Opportunities, AMAC, NATA, ACI-NA, Minority Business Development Agency;

Vellutini Corporation dba Royal Electric Company committed \$242,580 (4.8%) in DBE participation.

For Federal Fiscal Year 2020, the Airport has achieved 0% DBE participation for all projects thus far.

## **COORDINATION**

The project and memorandum have been coordinated with the City Attorney's Office and City Manager's Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**FISCAL/POLICY ALIGNMENT**

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. The proposed improvement project would be a minor alteration of existing Airport facilities and is therefore consistent with the adopted Airport Master Plan pursuant to San José Municipal Code Section 25.04.210(B)(4).

**COST SUMMARY/IMPLICATIONS**

1.	AMOUNT OF RECOMMENDATION/COST OF PROJECT: \$4,989,989	
	Project Delivery	\$ 1,285,047*
	Construction	4,989,989
	Contingency	<u>498,999</u>
	<b>TOTAL PROJECT COSTS</b>	<b>\$ 6,774,035</b>

\*Project delivery includes \$167,372 for Design Services and \$1,117,675 for Construction Management and Inspection Services.

2.	COST ELEMENTS OF AGREEMENT/CONTRACT:	
	Mobilization and Traffic Control	\$ 556,000
	Demolition	394,000
	Electrical	3,732,029
	Equipment	233,960
	Drainage Facilities	16,000
	Other	<u>58,000</u>
	<b>TOTAL CONTRACT AMOUNT</b>	<b>\$4,989,989</b>

3. SOURCE OF FUNDING: 520 - Airport Capital Improvement Fund

4. FISCAL IMPACT: This project has been reviewed and was determined that it will have no significant adverse impact on the Airport operating budget.

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**Subject: 9005 - MSJIA - Airfield Electrical System Rehabilitation - Phase 2**

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**BUDGET REFERENCE**

The table below identifies the fund and appropriations 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	Total Appn.	Amt. for Contract	2020-2021 Proposed Capital Budget* Page	Last Budget Action (Date, Ord. No.)
520	401E	Airfield Electrical Circuit Rehab	\$9,494,000	\$4,989,989	V-374	N/A
<b>Total Current Funding Available</b>			<b>\$9,494,000</b>			

\* The 2020-2021 Proposed Capital Budget is scheduled for City Council approval on June 16, 2020 and adoption on June 23, 2020.

**CEQA**

Environmental Impact Report for the Amendment to the Norman Y. Mineta San Jose International Airport Master Plan (Resolution No. 79497), File No. PP18-103:

/s/  
MATT CANO  
Director of Public Works

/s/  
JOHN AITKEN, A.A.E.  
Director of Aviation Department

For questions, please contact John Cannon, Deputy Director, Public Works Department, at (408) 535-8340.

Attachment

Overall Map Exhibit for  
9005 - Mineta San Jose International Airport - Airfield Electrical System Rehabilitation - Phase 2

