



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

**SUBJECT: REPORT ON BID AND AWARD
OF CONTRACT FOR THE
9702 – NSJ WELL NO. 6 PROJECT**

DATE: August 7, 2023

Approved

Date

8/18/23

COUNCIL DISTRICT: 4

RECOMMENDATION

- (a) Report on bid and award of contract for the construction of 9702 – NSJ Well No. 6 Project to the responsive and responsible bidder, Roadrunner Drilling & Pump Company, Inc. in the amount of \$786,310; and
- (b) Approve a 10% contingency in the amount of \$78,631.

SUMMARY AND OUTCOME

The award of the contract allows for the drilling of a new municipal groundwater well, 9702-NSJ Well No. 6 (Well No. 6 Project), to provide reliable delivery of water to San José Municipal Water System customers within the North San José/Alviso area. Approval of a 10% contingency provides funding for any unanticipated work necessary for the proper completion or construction of the project.

BACKGROUND

San José Municipal Water System's North San José/Alviso service area receives water from multiple sources to meet customer demands. Wholesale water purchased from San Francisco Public Utilities Commission along with supplemental groundwater provide potable water supplies to the area. Recycled water is also distributed for non-potable uses such as irrigation and cooling towers.

The business relationship between the San Francisco Public Utilities Commission and its wholesale customers is largely defined by the "Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County" entered in July 2009 and amended and restated in 2018 and 2021. This 25-

year Water Supply Agreement replaced the 1984 Settlement Agreement and Master Water Sales Contract and will expire on June 30, 2034.

The amount of imported water available to San Francisco Public Utilities Commission's retail and wholesale customers is constrained by hydrology, physical facilities, and the institutional parameters that allocate the water supply of the Tuolumne River. Additionally, the cities of San José and Santa Clara are identified within the Water Supply Agreement as temporary and interruptible water supply customers, each with a contract equal to 4.5 million gallons per day.

The project will drill and install the below-grade structure of a new municipal groundwater well, NSJ Well No. 6, to enable San José Municipal Water System to utilize additional groundwater supplies in North San José/Alviso. The Well No. 6 Project will drill approximately 575 feet below surface level and install well casing and well screens at design levels to achieve maximum production from the ground aquifer. A second phase of the project will be bid, following the construction of this project, to install the pump, motor, and all distribution piping and associated infrastructure to connect the well to the existing distribution system.

The well site is owned by the City of San José and is in an undeveloped North San José area, near Center Road and Cabrillo Road, on a portion of the proposed Agnews East Parklands Project area. (See **Attachment** - Location Map 9702 - NSJ Well No. 6). Construction is expected to start in October 2023 with anticipated completion in May 2024.

ANALYSIS

A competitive procurement was conducted in February 2023. Despite outreach to contractors holding specialized licenses to perform this work, no bids were received. Following the unsuccessful competitive procurement, City staff conducted outreach to contractors showing interest in the project during the advertisement period to understand why the project received no bids. Based on the feedback received, it was concluded that the project size and schedule were the main factors that led to an unsuccessful procurement process.

Under Charter Section 1217(h), City Council can decide to not further comply with the City's competitive bidding requirements when no bids are received. In practice, foregoing additional competitive bidding means selecting a contractor, negotiating a construction contract, and awarding that contract.

Accordingly, Luhdorff & Scalmanini Consulting Engineers, Inc., already under contract with the City, assisted staff to identify a qualified contractor by recommending Roadrunner Drilling & Pump Company, Inc., who was willing and able to perform the work. Roadrunner Drilling & Pump Company, Inc. submitted the following bid to perform the work:

<u>Contractor</u>	<u>Bid Amount</u>		
		<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
Engineer's Estimate	\$629,238	--	--
Roadrunner Drilling & Pump Company, Inc. (Woodland, CA)	\$786,310	\$157,072	25

Roadrunner Drilling & Pump Company, Inc.'s bid of \$786,310 is 24.96% above the Engineer's Estimate. The higher-than-anticipated bid amount is attributed to global supply chain issues, increased inflation-related labor costs, and a short list of qualified drillers showing interest in and availability for the project, making the contractor's bid fair and reasonable.

Bidders for these types of projects must have a California contractor's license Class C-57 to bid for the Well No. 6 Project. Moreover, to ensure a licensed and qualified contractor was selected, it was required for the bidder to provide a minimum of four substantially similar completed projects as references completed within the past five years.

Roadrunner Drilling & Pump Company, Inc. provided a list of four completed projects in the past five years. The scope of work was considerably similar to the work under the Well No. 6 Project. All four projects listed as references involved the drilling, construction, development, testing, and deconstruction of a well ranging in depth from 570 feet to 730 feet.

Contingency

San José Municipal Code Section 27.04.050 provides for a standard contingency of 10% on all Public Works contracts except those involving the renovation of a building or buildings. The standard 10% contingency is appropriate for this project.

Project Labor Agreement Applicability

The City's Project Labor Agreement is not applicable to this project because the Engineer's Estimate is under \$1.22 million.

Policy Alternatives

Alternative # 1: Do not directly award the contract and attempt to publicly bid the Wells No. 6 Project a second time.

Pros: The project moves through a more typical public procurement process, allowing all qualified contractors to bid on it.

Cons: There is no guarantee that a second attempt to bid the project will result in responsive bids. Outreach from the previous bid shows that the project size and schedule attract a small pool of qualified contractors.

Reason for not recommending: The Well No. 6 Project has already attempted a public bid procurement, resulting in no responsive bids. Charter Section 1217(h) gives City Council the authority to directly award a project, which would allow the project to move forward as efficiently and quickly as possible.

Local and Small Business Analysis

The recommended contractor is not a local or a small business enterprise. In addition, there are no local or small business enterprises listed as subcontractors.

EVALUATION AND FOLLOW-UP

No additional follow-up actions with the City Council are expected at this time.

COST SUMMARY/IMPLICATIONS

The source funding for this project is in Fund 502, Major Facilities Fund. Approval of the recommended action will have no impact on the Water Utility Fund or General Fund operating budgets.

1. TOTAL COST OF PROJECT:

Project Delivery*	\$307,838
Construction	786,310
Contingency	\$ 78,631
TOTAL PROJECT COSTS	<u>\$1,172,779</u>
Prior Years' Expenditures and Encumbrances	81,920
TOTAL REMAINING PROJECT COST**	<u>\$1,090,859</u>

*Project delivery includes \$81,920 for Design Services and \$225,918 for Construction Management and Inspection Services.

**Design Services were completed on January 6, 2023.

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Well Site Mobilization	\$125,500
Surface Casing	34,000
Conductor Casing	97,155
Production Borehole Drilling	46,750
Geophysical Logging	7,100
Blank Well Casing ASTM A-139 HSLA 18.625" O.D. x 3/8" Wall	167,085
Shutter Well Screen ASTM A-778, Type 304 SS 18.625" O.D. x 5/16" Wall w/0.055" Slot "Ful-Flo"	107,100
Sounding Pipe	14,495
Gravel Fill Pipe	7,440
Gravel Envelope Cemex #8	63,825
Annular Seal	20,010
Install/Remove Test Pump	11,500
Well Development	28,000
Well and Aquifer Testing	6,050
Plumbness and Alignment Testing and Video Survey	5,000
Disinfection of Well	1,500
Site Clean-up and Records	6,300
Disposal of Drill Cuttings	<u>37,500</u>
TOTAL BASE BID AMOUNT	\$786,310

BUDGET REFERENCE

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

Fund #	Appn. #	Appn. Name	Current Total Appn	Amt. for Contract	2023-2024 Proposed Capital Budget Page*	Last Budget Action (Date, Ord. No.)
502	6274	North San José Well Development and Construction	\$4,417,000	\$786,310	288	6/20/2023, 30933
Total Current Funding Available			\$4,417,000	\$786,310		

*The 2023-2024 Adopted Capital Budget was approved by the City Council on June 13, 2023 and adopted on June 20, 2023.

COORDINATION

This project has been coordinated with the City Attorney’s Office, the City Manager’s Budget Office, and the Departments of Parks, Recreation, and Neighborhood Services; Planning, Building and Code Enforcement; and Public Works.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the August 29, 2023 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Mitigated Negative Declaration for the Trimble and Agnews Municipal Groundwater Wells Project, File No. ER20-015 (City Council Resolution No. 80187).

HONORABLE MAYOR AND CITY COUNCIL

August 7, 2023

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Page 7

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

KERRIE ROMANOW

Director, Environmental Services

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

ATTACHMENT: Location Map 9702 – NSJ Well No. 6