



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Matt Cano

SUBJECT: SEE BELOW

DATE: May 16, 2022

Approved

Date

5/18/2022

COUNCIL DISTRICT: 4

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR
9670 – ALVISO MAIN REPLACEMENT PROJECT**

RECOMMENDATION

Report on bids and award of contract for 9670 – Alviso Main Replacement Project to the lowest responsive bidder, Cratus, Inc., in the amount of \$3,467,700 and approval of a contingency in the amount of \$346,770.

OUTCOME

The award of the contract will allow for the replacement of water mains and services to provide the continued reliable delivery of water to San José Municipal Water System (SJMWS) customers. Approval of a contingency will provide funding for any unanticipated work or unforeseen conditions that may arise during construction.

BACKGROUND

The Alviso Main Replacement project will replace old asbestos cement pipes with new ductile iron pipes in the northwestern portion of the Alviso community. The existing pipeline is nearing the end of its useful life and has been experiencing a high frequency of water main breaks and leaks. The replacement pipeline will improve overall system resiliency.

ANALYSIS

The project was advertised for bid and a total of two bids were received and opened on Thursday, April 28, 2022 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	--	\$2,379,875	--	--
Golden Bay Construction (non-responsive)	Hayward	\$3,074,794	\$694,919	29.2%
Cratus, Inc.	San Francisco	\$3,467,700	\$1,087,825	45.7%

Golden Bay Construction’s bid was deemed non-responsive due to the bidder’s failure to provide specific project experience information requested by the City.

Staff recommends awarding the construction contract to the lowest responsive bidder, Cratus, Inc. Cratus, Inc.’s, whose bid of \$3,467,700 is 45.7% above the Engineer’s Estimate. The higher than anticipated bid amount is attributed to global supply chain issues, increased labor costs related to inflation, and a high volume of other similar projects resulting in reduced contractor interest and availability; for these reasons, re-bid of the project is not expected to result in a significant decrease to the project bid amounts. Cratus, Inc. has worked with the City of San José in recent years, including successful completion of a water main replacement project in 2019.

San José Municipal Code Section 27.04.050 provides that the contingency for all public works contracts (except those involving the renovation of a building or buildings) cannot exceed 10 percent of the total contract amount. Staff recommends a 10 percent contingency, which should be sufficient to account for unforeseen conditions that might arise in the construction.

LOCAL/SMALL BUSINESS OUTREACH

Procurement staff used Biddingo to outreach to local and small business enterprises. Chapter 4.12 of the San José Municipal Code defines a “local business enterprise” as one with a legitimate business presence in Santa Clara County and “small business enterprise” as a local business enterprise with 35 or fewer employees. Procurement staff sent bid invitations to 7,230 vendors, and documents were downloaded by 16 vendors, approximately three of which were located within Santa Clara County and therefore local. The recommended contractor is not a local or a small business enterprise. In addition, no local and/or small business enterprises were listed as subcontractors.

CONCLUSION

Based on staff's evaluation of the bid, staff recommends awarding the contract to the lowest responsive bidder, Cratus, Inc.

EVALUATION AND FOLLOW-UP

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

CLIMATE SMART SAN JOSE

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

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 7, 2022 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. Additionally, staff has been in continued coordination with the Union Pacific Railroad regarding portions of work adjacent to existing railroad tracks.

COMMISSION RECOMMENDATION

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION:	\$3,467,700
2. COST ELEMENTS OF CONTRACT:	
Project Delivery	\$400,000
Construction	\$3,467,700
Contingency	\$346,700
Total Project Costs	\$4,214,400

3. SOURCE OF FUNDING: 500 – Water Utility Capital Fund
4. FISCAL IMPACTS: Approval of the recommended action will have no impact on the Water Utility Fund or General Fund operating budgets.

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	2021-2022 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
Remaining Project Costs			\$3,814,400			
500	410Q	Annual Water Main Replacements	\$4,663,000	\$3,814,400	290	10/19/2021; ORD 30682
Total Current Funding Available			\$4,663,000	\$3,814,400		

CEQA

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

/s/
KERRIE ROMANOW
Director, Environmental Services

/s/
MATT CANO
Director, Public Works

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