



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano
Margaret McCahan

SUBJECT: SEE BELOW

DATE: May 10, 2018

Approved

D. D. S. L.

Date

5/11/18

SUBJECT: APPROVAL OF A DESIGN-BUILD CONTRACT WITH STEVE P. RADOS, INC. FOR THE 4880-FOURTH STREET 84-INCH INTERCEPTOR PHASE VI-A PROJECT

RECOMMENDATION

- (a) Approve the design-build contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-Inch Interceptor Phase VI-A Project ("Project") in an amount not to exceed \$42,526,881 for the performance of design and construction services under the contract.
- (b) Approve a design-build contingency in the amount of \$2,126,400 for City-approved changes to the design scope and construction services.
- (c) Adopt a resolution authorizing the Director of Public Works to negotiate and execute change orders in excess of \$100,000 for City-approved changes to the design scope of work and construction services in an amount not to exceed the design-build contingency.
- (d) Adopt the following 2017-2018 Appropriation Ordinance and Amendments in the Sewer Service and Use Charge Capital Improvement Fund:
 - (1) Decrease the Unrestricted Ending Funding Balance in the amount of \$6,500,000;
 - (2) Decrease the appropriation to the Public Works Department for the Immediate Replacement and Diversion Projects in the amount of \$2,300,000;
 - (3) Decrease the appropriation to the Public Works Department Urgent Rehabilitation and Repair Projects in the amount of \$3,500,000; and
 - (4) Increase appropriation to the Public Works Department the 60" Brick Interceptor, Phase VIA and VIB in the amount of \$12,300,000.

OUTCOME

Council approval of the contract with Steve P. Rados, Inc., will allow for the design and construction of a design-build contract for the Fourth Street 84-inch Interceptor Phase VI-A and pavement resurfacing of Fourth Street between Hedding Street and Matrix Boulevard, and Commercial Street between N. Fourth Street and Fifth Street. The design and construction contingencies will provide funding for additional work and unforeseen conditions that may be necessary for the proper completion of the project.

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 2

BACKGROUND

The Project, formerly known as the 60-inch Brick Project, will complete Phase VI-A of the Fourth Major Interceptor Program. The Fourth Major Interceptor Program was initiated in the 1980's to ensure the City's sanitary sewer interceptor system can provide the capacity and redundancy for the growth anticipated in the City's General Plan. The Fourth Major Interceptor Program is comprised of seven major phases with numerous sub-phases. To date, Phases I through V have been completed.

This Phase VI-A Project will upsize an existing 54-inch sewer interceptor with an 84-inch interceptor, in the same alignment. Upon completion of the Phase VI-A project, the City will have two parallel 84-inch interceptors beneath North Fourth Street from Commercial Street to Old Bayshore Road and an existing 60-inch brick interceptor located in an easement that traverses through private properties parallel and to the east of North Fourth Street (see attached location map). The 60-inch brick interceptor will be available for by-pass flows in the event either of the parallel 84-inch interceptors are damaged or removed from service for maintenance purposes.

The Project will require tunneling under U.S. Highway 101, open trench excavation under Interstate 880 overpass, realigning and reconnecting existing interceptor pipes at Structure E¹, and construction of several large sanitary sewer junction structures. Caltrans encroachment permits will be required in order to install the new interceptor beneath the two freeways. The Project includes the resurfacing and re-striping of Fourth Street between Hedding Street and Matrix Boulevard, and Commercial Street between N. Fourth Street and Fifth Street.

On June 2, 2009, Council approved an agreement with AECOM to provide design and construction management services for this Project. AECOM submitted a draft Construction Impact Management Report (CIMP) and final cost estimate in addition to 100% design plans and specifications on November 15, 2013. The cost estimate at the time was \$32,850,000, and would require a minimum of two years to construct.

In July 2014, the City attempted to pre-qualify tunneling contractors to bid on the Project as required by Council Resolution No. 71816 to ensure contractors bidding on a complicated and large scale project like this would have the experience and technical expertise as well as being financially capable of completing the project. In August 2014, the City received one submittal which did not meet the minimum requirements set forth in the pre-qualification process. After further reviewing the design, discussing with other tunneling consultants in the area, and analyzing the risks associated with tunneling under the freeways, staff elected to deliver this project using the design-build method rather than the design-bid-build approach.

On December 15, 2015, the City Council adopted Resolution No. 77627 approving the use of the design-build project delivery method for the Fourth Street 84-inch Interceptor Phase VI-A Project pursuant to Section 1217 of the City's Charter and Chapter 14.07 of the San José Municipal Code. The design-build project delivery method allows the City to define the project based on available

¹ Structure E is an existing underground sanitary sewer diversion structure where sanitary sewer interceptors converge. This structure has multiple compartments and slide gates to allow isolation/closure of one or more interceptors.

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 3

funds, select a contractor based on qualifications and price rather than low bid, as well as negotiate a contract structured around the project's priorities. The City has successfully used the design-build procurement method at the San José Norman Mineta International Airport Terminal Area Improvement Program (TAIP), San Jose McEnery Convention Center Expansion Project and the United States Patent and Trademark Office Project. The City is currently using the design-build procurement method for the construction of the Cogeneration Facility at the Regional Wastewater Facility pursuant to State law.

ANALYSIS

Selection Process and Results

This Project followed a two-step "Best Value" Design-Build delivery approach. In step 1, a Request for Qualifications (RFQ) was issued. The most highly-qualified Design-Build Entities advanced to the next step. Step 2 commenced with the issuance of a Request for Proposals (RFP) where technical proposals and prices from the highest-qualified Design-Build Entities were reviewed and scored by City staff. The Design-Build Entity with the "best value" package was then selected for further negotiation and recommended for the award of this Project.

The RFQ for this Project was issued on November 9, 2016, with Statements of Qualifications (SOQs) due on January 3, 2017. The RFQ consisted of a pre-qualification questionnaire intended to address the minimum general requirements that should be met by design-build firms (acceptable safety record, licenses and registrations, financial statements, etc.) and a requirement to list key personnel including their project experiences. The RFQ also required that the design-build firm had completed a design-build project similar to the Fourth Street 84-inch Interceptor Phase VI-A Project.

The firms that submitted SOQs were:

- Steve P. Rados, Inc. (general contractor) supported by Stantec Consulting Services, Inc. (lead designer)
- Ranger Pipelines, Inc. (general contractor) supported by Mott MacDonald, LLC (lead designer)

The City received submittals from only two design-build firms and staff believes this was due to the complexity of the project and the need to provide financial responsibility. The City qualified both design-build firms to participate in the RFP process. The result of the SOQ is as follows:

- Steve P. Rados, Inc. and Stantec Consulting Services, Inc. 88.7%
- Ranger Pipelines, Inc. and Mott MacDonald, LLC 75.2%

The scoring from the RFQ process was carried over and included in the evaluation of the RFP, which equated to 8.9% and 7.5%, respectively for each firm, of the maximum 10% that each design-build firm can receive for this category. However, on March 8, 2017, Ranger Pipelines, Inc. notified the City that they were withdrawing from the design-build firm selection process. In their

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 4

analysis, the score they received from the SOQ would have placed them behind their competitor, and continuing with the RFP process was not financially practical. The City’s analysis however showed that there was still substantial amount of available points to be gained by Ranger Pipelines in the RFP process. City staff met with Ranger Pipelines, Inc. but in the end, Ranger withdrew from the procurement process.

Following the completion of the RFQ process, the RFP was issued on February 8, 2017. Steve P. Rados, Inc. submitted a proposal on April 14, 2017, with the following result:

Design Fee	\$3,600,000
Construction Cost	\$42,894,328
Design Build Lum Sum Fixed Price Total	\$46,494,328

The proposal was reviewed for its responsiveness and then evaluated in accordance with the point scale advertised in the RFP. The specific selection criteria against which the proposal was evaluated is summarized below:

RFP Evaluation Criteria	Weight
Project Management and Schedule	10%
Design, Permitting and Construction Approach	35%
Subcontractor and Workforce	10%
Local Business Preference	5%
Small Business Preference	5%
Price	15%
SOQ Score	10%
Interview	10%
Total	100%

Due to the complexity of this Project, Steve P. Rados, Inc. has teamed up with several experienced firms with design engineers and project managers who have vast experience in design and construction of large diameter pipelines, highway crossings, and general underground civil infrastructure. Steve P. Rados, Inc. and its firms received an overall score of 80.18% in the RFP. Steve P. Rados, Inc. Design-Build team consists of the following firms:

Firm	Scope
Steve P. Rados, Inc.	Design-Build Contractor
Stantec Consulting Services, Inc.	Principal Design Engineering Firm
Vadnais Trenchless Services, Inc.	Trenchless/Tunneling Contractor
Circlepoint	Public Outreach Coordination

In total, the Steve P. Rados, Inc. design-build team has installed more than 75,000 feet of large-diameter pipeline together over the last 15 years. With their experience, City staff is confident the team can complete the design and construction of the City’s new 84-inch sanitary sewer interceptor.

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 5

Contract Negotiation Process

On November 28, 2017, Council authorized staff to formally enter into negotiations with Steve P. Rados, Inc. Public Works and the City Attorney's Office have worked with the design-build entity to identify potential savings and negotiate on several items including contract terms and price. Through the contract and price negotiation process, significant cost savings have been achieved. The contract price has been lowered to \$42,526,881.

In collaboration with Department of Transportation, the Project will also include the resurfacing of Fourth Street between Hedding Street and Matrix Boulevard, and Commercial Street between N. Fourth Street and Fifth Street. Rather than slurry sealing the pavement at the end of the Project, which was initially contemplated by staff, the street will be resurfaced with new asphalt concrete which will be a stronger and more durable surface treatment. A resurfacing project of this portion of Fourth Street has already been programmed by the Department of Transportation in the Pavement Maintenance – City appropriation funded by the Construction and Excise Tax Fund. However, by completing the work as part of the Project, the City is able to avoid constructing improvements in the same area of Fourth Street which will result in minimizing the disruption of residents and businesses as well as provide for a cost savings to the City.

City staff recommends approval of a design-build contract with Steve P. Rados, Inc. to design and construct the Fourth Street 84-inch Interceptor Phase VI-A Project. The contract with Steve P. Rados, Inc. provides for \$42,526,881 which will include design and construction services. City staff recommends approval of a five (5) percent contingency in the amount of \$2,126,400. Approval of the contract will allow City staff to issue a Notice to Proceed to begin design and construction of the Project. Staff recommends the delegation of authority to the Director of Public Works for the negotiation and issuance of change orders up to the amount of the contingency in order to keep the critical design and construction timelines.

Compliance with Local Preference Ordinance

The City's Local Preference Ordinance for professional service contracts where price is not the determinative factor allows proposers to receive a five percent credit if they have a local office. Local business enterprises that also qualify as small business enterprises are given an additional credit equal to five percent. The Local Preference Ordinance applies to the RFP, because the Fourth Street 84-inch Interceptor Phase VI-A Project includes professional design services.

Steve P. Rados, Inc. is neither qualified as a local business enterprise nor a small business enterprise. Consequently, no points were given to them for these evaluation criteria.

Process Integrity

The RFQ and RFP were prepared in accordance with San José's City Charter and Municipal Code. In addition, the RFQ and RFP processes followed the integrity guidelines set forth by the Procurement Manager of the Department of Public Works. All participants involved in preparing, reviewing, and scoring of the RFQ and RFP have signed conflict of interest statements.

HONORABLE MAYOR AND CITY COUNCIL

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 6

The City employed a single point of contact to ensure communication was consistent with all proponents. In addition, a web-based procurement tool (Bidsync) was used to advertise, and provide clarification to questions. The RFP also included a provision for convening “individual commercially confidential meetings”, in which proposers participated, to elicit constructive comments and questions from proposers that would ultimately lead to properly focused and highly informative proposals.

EVALUATION AND FOLLOW-UP

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

PUBLIC OUTREACH

The Request for Qualifications (RFQ) and Request for Proposal (RFP) were published in the San José Post Record and on BidSync. The complete bid package and project information for all Department of Public Works construction projects are available on BidSync for interested contractors, contractor organizations and builders' exchanges.

This memorandum will be posted on the City's website for the May 22, 2018, City Council agenda.

COORDINATION

Staff coordinated with the City Attorney's Office and Finance Department (Risk Management) in preparing the RFP. Staff also coordinated with various utility companies including Pacific Gas & Electric (PG&E), San Jose Water Company, Verizon, among others, to relocate their underground facilities to minimize potential conflicts with the new interceptor. In addition, coordination with the Department of Transportation's Pavement and Bike programs has been made to schedule their improvements accordingly. Staff also coordinated with Valley Transportation Agency (VTA) for the future U.S. Highway 101/Zanker Road interchange project. Caltrans has been informed that this Project will cross both U.S. Highway 101 and Interstate Highway 880. The City's design-build firm will present their final plans and acquire a construction permit from Caltrans. Staff has also coordinated with the West Valley Sanitary District since this Project is part of the joint use sanitary sewer system.

Steve P. Rados, Inc. has teamed up with Circlepoint for project public communications. Steve P. Rados, Inc. and Circlepoint will coordinate public outreach to ensure project information and updates are presented to the public in a timely manner. City staff will work closely with Steve P. Rados, Inc. to keep the affected public informed. As stated in the Request for Proposal, Steve P. Rados, Inc. will have sole responsibility in designating key personnel from their outreach team (Circlepoint) for all public involvement and community outreach efforts. Steve P. Rados, Inc., and Circlepoint will also be coordinating temporary access for any affected property owners. They will keep a record of any issues or concerns reported by the public and address them in a timely manner.

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 7

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This project is consistent with the City Council approved budget strategy to address City's sanitary sewer interceptor system.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	\$ 5,762,300 *
Design-Build (see cost breakdown below)	\$ 42,526,881
Design & Construction Contingency	\$ 2,126,400
TOTAL PROJECT COSTS	\$ 50,415,581
Prior Year Expenditures	\$ 4,029,012
REMAINING PROJECT COSTS	\$ 46,386,569

*Project Delivery includes \$3,437,741 for consultant design services from AECOM. A total of \$4,029,012 was expended through 2017-2018 for consultant and city services.

2. COST ELEMENTS OF DESIGN AND CONSTRUCTION CONTRACT:

Design	\$ 3,443,000
Permit	\$ 35,000
Construction	\$ 39,048,881
TOTAL PROJECT COSTS	\$ 42,526,881

SOURCE OF FUNDING: Sewer Service and Use Charge Capital Improvement Fund (545) and Construction Excise Tax Fund (465)

3. OPERATING COSTS: The proposed operating and maintenance costs of this project have been reviewed and it has been determined that the project will have no significant adverse impact on the operating costs.

May 10, 2018

Subject: Approval of a Design Build Contract with Steve P. Rados, Inc. for the 4880-Fourth Street 84-inch Interceptor Phase VI-A Project

Page 8

BUDGET REFERENCE

The table below identifies the funds and appropriations to fund the contract recommended as part of this memorandum. The remaining project costs, including project delivery, and contingency costs are budgeted in both 2017-2018 and assumed in the 2019-2023 Capital Improvement Program.

Fund #	Appn. #	Appn. Name	Current Total Appn	Rec. Budget Action	Amt. for Contract	2017-2018 Adopted Capital Budget Page	Last Budget Action (Date, Ord.No.)
545	4969	60" Brick Interceptor, Phase VIA and VIB	\$29,588,000	\$12,300,000	\$41,239,686	186	10/17/17, 30014
545	8999	Ending Fund Balance	\$7,469,844	(\$6,500,000)	N/A	182	2/13/18, 30071
545	4272	Immediate Replacement and Diversion Projects	\$6,500,000	(\$2,300,000)	N/A	200	6/20/17, 29962
545	4271	Urgent Rehabilitation and Repair Projects	\$8,000,000	(\$3,500,000)	N/A	203	6/20/17, 29962
465	6123	Pavement Maintenance – City	\$24,082,000	N/A	\$1,287,195	1010	2/13/2018, 30071

CEQA

On December 15, 2015, City Council adopted Resolution No. 77626 to approve the Mitigated Negative Declaration for this Project. Determination of Consistency with the Mitigated Negative Declaration for Sewer Interceptor Phase VIA Public Project (Resolution No. 77626), File No. PP10-160.

/s/

MATT CANO
Director of Public Works



MARGARET MCCAHAN
Budget Director

Attachments:

- Location Map
- CEQA (PP10-160)
- Resolution No. 77626
- Resolution No. 77627

For questions, please contact Michael O’Connell, Acting Assistant Director, Department of Public Works at 408-535-8300.