



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jeffrey Provenzano  
Matt Loesch

**SUBJECT:** See Below

**DATE:** April 1, 2025

Approved

Date:

4/1/25

**COUNCIL DISTRICT:** Citywide

**SUBJECT: Report on Bids and Award of Construction Contract for 10186 -  
Yard Piping Improvements Phase 3 Project at the San José-  
Santa Clara Regional Wastewater Facility**

## **RECOMMENDATION**

- (a) Accept the report on bids and award of construction contract to the lowest responsive, responsible bidder, Michels Trenchless, Inc., in the amount of \$19,490,000, for the 10186 – Yard Piping Improvements Phase 3 Project; and
- (b) Approve a 10% construction contingency in the amount of \$1,949,000.

## **SUMMARY AND OUTCOME**

Award of the construction contract to Michels Trenchless, Inc. (Michels) will allow for construction and completion of the Yard Piping Improvements Phase 3 Project (Project) at the San José-Santa Clara Regional Wastewater Facility (RWF). Rehabilitation of the pipelines will reduce the risk of pipe failure and extend their remaining useful life. Approval of a 10% contingency will provide funding for unanticipated work that is necessary for the proper completion of the Project.

## **BACKGROUND**

The RWF has over 300,000 linear feet (LF) of piping, 67,000 LF of which are wastewater process pipes. Seventy percent of the piping is more than 30 years old. The City completed a desktop study of the RWF's process pipes, which identified sixteen pipe segments, totaling 21,000 LF, as high priority for pipe rehabilitation. The Project addresses the last nine of these high priority pipes, which are shown on the

**Attachment** – Project Location Map. These nine pipes carry raw sewage, primary effluent and secondary effluent for various treatments, and are critical to the operations at the RWF for the treatment process. During the condition assessment performed in the dry seasons of 2021 - 2024, moderate to severe crown corrosion and metal pipe wall thickness loss were observed in the following pipe segments that will be rehabilitated or replaced by this Project:

1. 1,086 LF of 84-inch Raw Sewage Pipe using epoxy coating with 24 LF Partial Depth Concrete Crown Repair.
2. 118 LF of 66-inch Raw Sewage Pipe using Partial Depth Concrete Crown Repair with epoxy coating.
3. 577 LF of 102-inch Raw Sewage Pipe using epoxy coating with 17 LF Partial Depth Concrete Crown Repair.
4. 2,000 LF of 8-inch Sanitary Sewer Force Main using open-cut-replacement.
5. 2,215 LF of 66-inch Plant Drain Pipe using epoxy coating with 945 LF Partial Depth Concrete Crown Repair.
6. 119 LF of 24-inch Secondary Influent Pipe using epoxy coating or cement mortar lining.
7. 2,000 LF of 8-inch Waste Activated Sludge Pipe using open-cut-replacement.
8. 2,368 LF of 3/4-inch to 4-inch Space Heat Loop Pipe using open-cut-replacement.
9. 580 LF of 4-in Chilled Water Pipe and 155 LF 3-in Chilled Water Pipe using open-cut-replacement.

Construction is scheduled to begin in June 2025, with substantial completion anticipated by October 2026.

## **ANALYSIS**

Bids were opened on February 6, 2025, with the following results:

<b><u>Contractor</u></b>	<b><u>Bid Amount</u></b>	<b><u>Variance Amount</u></b>	<b><u>Over/(Under) Percent</u></b>
<b>Engineer's Estimate</b>	<b>\$17,362,000</b>	--	--
Michels Trenchless, Inc., (Brownsville, WI)	\$19,490,000	\$2,218,000	12%

The single bid received from Michels is 12 % over the Engineer's Estimate. The Engineer's Estimate prepared by the design consultant was based on construction costs experienced over the last several years for similar municipal wastewater piping rehabilitation projects, as well as recent quotes obtained from special material vendors.

The higher-than-expected bid received is likely to be a combination of the following factors:

1. The primary cause of the bid being higher than the Engineer's Estimate is due to the lack of competition because of only having a single bidder, despite outreach to the contractor community. Competitive bidding plays a crucial role in ensuring bid prices align with the Engineer's projections. While the design consultant tried to account for the likely scenario of limited competition by elevating the typical labor and equipment costs for the various work and increasing the Bid Contingency, it is extremely challenging to reflect the outcome of a single bidder. According to the City's third-party cost estimate consultant, Leland Saylor Associates, the bid amount can be 25% to 100% higher than the Engineer's Estimate when there is only one bid.
2. The market conditions continue to be difficult to predict. These conditions include cost escalation for materials, availability of labor and equipment, higher labor costs if labor is in short supply, uncertainties of federal policies, such as tariffs.
3. Michels is a national general contractor specializing in piping rehabilitation and installation. It is not a local business and need to bring in resources from out of area to complete the work. This can contribute to the elevated mobilization/demobilization cost.

Despite the bid being higher than the Engineer's Estimate, staff is recommending proceeding with the award of the contract to Michels for the following reasons:

1. Rehabilitation of the pipes in this Project has been identified as a high priority due to the condition assessment results. Delaying the Project will increase the risk of raw sewage, secondary influent and plant drain piping failure, resulting in higher operations and maintenance costs and possibly safety and permit violations.
2. Re-bidding the Project is not recommended as it is unlikely that future construction prices will be lower. This Project requires general contractors to have experience on large pipe rehabilitation and working in an operating water or wastewater facility. The pool of qualified contractors is limited. Re-bidding does not guarantee more competitive market conditions or lower bid amounts. Construction constraints only allow the process pipes to be rehabilitated during the dry season from May 15 to October 15. Re-bidding will make construction in 2025 impossible and delay the project schedule at least one calendar year.
3. Michels has completed similar yard piping construction projects for other local agencies within the past several years. The contractor has also successfully

worked on similar RWF projects, including 9002 - 96-inch and 87-inch Settled Sewage Pipe Rehabilitation, 8142 - Yard Piping Improvements Phase 1 and 9850 - Yard Piping Improvements Phase 2. Michels had completed the project on time and with minimal change orders in less than 3.62% of the construction cost.

### *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 applicable to this project because the Engineer's Estimate is over \$1.21 million.

### *Wage Theft Prevention Policy Check*

The Department of Public Works Office of Equality Assurance reviewed bidders for compliance with the City's Wage Theft Prevention Policy on February 6, 2025, and again on February 19, 2025. No wage theft violations were identified.

### *Local and Small Business Outreach*

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

## **EVALUATION AND FOLLOW-UP**

No follow-up action with City Council is expected at this time. A progress report on this and other RWF capital projects will be made to the Transportation and Environment Committee on an annual basis. Quarterly progress reports of the RWF Capital Improvement Program will also be submitted to the Treatment Plant Advisory Committee meeting and posted on the City's website.

## **COST SUMMARY/IMPLICATIONS**

The source of funding for this project is through 512 – San José-Santa Clara Treatment Plant Capital Fund. The Project will have no additional impact on the San José-Santa Clara Treatment Plant Operating Fund or the General Fund. In accordance with the recommendations set forth in the Capital Project Cost Allocations Technical Memo

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(Carollo Engineers, March 2016), this Project is allocated between the four billable parameters relative to the rolling weighted average distribution of all RWF assets.

**1. TOTAL COST OF PROJECT:**

Project Delivery*	\$8,464,366
Construction	19,490,000
Contingency (10%)	<u>1,949,000</u>
<b>TOTAL PROJECT COSTS</b>	<b>\$29,903,366</b>

Prior Year Expenditures	<u>2,379,117</u>
<b>REMAINING PROJECT COSTS</b>	<b>\$27,524,249</b>

*\* Project delivery includes \$2,081,740 for project management and environmental permitting during feasibility/development, \$1,795,560 for project management during design, \$393,264 for bid and award, \$3,985,498 for construction management, and \$208,304 for post-construction and project closeout. The project delivery cost is approximately 43% of the construction estimate, which is in line with project delivery costs for similar size capital projects in RWF.*

**2. COST ELEMENTS OF CONTRACT:**

Mobilization/Demobilization	\$1,699,259
Rehabilitation/Improvements	17,245,741
Allowances	<u>545,000</u>
<b>TOTAL CONTRACT AMOUNT</b>	<b>\$19,490,000</b>

**BUDGET REFERENCE**

The table below identifies the fund and appropriations 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	Total Appn.	Amt. for Contract	2024-2025 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
512	7396	Yard Piping Improvements	\$27,565,000	\$19,490,000	276	10/22/2024, Ord. No. 31133

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### **COORDINATION**

This Project and memorandum have been coordinated with the City Attorney's Office, City Manager's Budget Office, the Finance Department, and the Planning, Building and Code Enforcement Department.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the April 15, 2025 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

This item is scheduled to be heard at the April 10, 2025 Treatment Plant Advisory Committee meeting. A supplemental memorandum with the Treatment Plant Advisory Committee's recommendation will be included in the amended April 15, 2025 City Council meeting agenda.

### **CEQA**

Addendum to the Environmental Impact Report for the San José/Santa Clara Water Pollution Control Plant Master Plan (SCH# 2011052074), Yard Piping and Road Improvements Project, File No. PP19-063.

### **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/  
JEFFREY PROVENZANO  
Director,  
Environmental Services

/s/  
MATT LOESCH  
Director of Public Works

For questions, please contact Mariana Chavez-Vazquez, RWF General Manager, Environmental Services Department at (408) 535-8550.

**ATTACHMENT:** Project Location Map



# ATTACHMENT - PROJECT LOCATION MAP - YARD PIPING IMPROVEMENTS PHASE 3 PROJECT

1. 84-inch Raw Sewage (RS) Pipe using Partial Depth Concrete Crown Repair (PDCCR) with epoxy coating
2. 66-inch RS using PDCCR with epoxy coating
3. 102-inch RS using PDCCR with epoxy coating
4. 8-inch Sanitary Sewer Force Main (SSFM) using open-cut-replacement (OCR)
5. 66-inch Plant Drain (PD) using PDCCR and epoxy coating
6. 24-inch Secondary Influent using epoxy coating or cement mortar lining
7. 8-inch WAS using OCR
8. 3/4-inch to 3-inch Space Heat Loop (SHL) using OCR
9. 3-inch & 4-inch Chilled Water (CW) using OCR

