



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow
Matt Loesch

SUBJECT: See Below

DATE: August 3, 2026

Approved

Date:

8/11/26

COUNCIL DISTRICT: 9

**SUBJECT: Report on Bids and Award of Contract for the 10602 – OBAG 2
Cherry Ave, Federal Project No. STPL-5005 (177)**

RECOMMENDATION

- (a) Report on bids and award of a contract for the construction of 10602 – OBAG 2 Cherry Ave, Federal Project No. STPL-5005 (177) Project to the lowest responsive, responsible bidder, O'Grady Paving, Inc., in the amount of \$1,135,347.40; and
- (b) Approve a 10% contingency in the amount of \$113,535.

SUMMARY AND OUTCOME

Award of the contract to O'Grady Paving, Inc. enables the construction of the 10602 – OBAG 2 Cherry Ave, Federal Project No. STPL-5005 (177) (Project), which will rehabilitate approximately two miles of streets along the Major Streets Network through resurfacing. Approval of the 10% contingency will provide funding for any unanticipated work necessary for the proper completion or construction of the Project.

BACKGROUND

The Department of Transportation (DOT) staff submitted project requests for the One Bay Area Grant (OBAG 2) program, a federal funding initiative managed by the Metropolitan Transportation Commission (MTC) and administered by the California Department of Transportation (Caltrans). This program supports sustainable community development and transportation infrastructure enhancements throughout the Bay Area.

In May 2020, DOT received Caltrans authorization (E-76) to proceed with construction on the OBAG 2 North and South projects, totaling \$16.6 million in federal funding. Following the closeout of both projects in 2023, a balance of \$958,736 in unused federal funds remained. To maximize these resources, DOT collaborated with Caltrans and MTC to establish a new project: the OBAG 2 Cherry Avenue Project. Consequently, in August 2025, DOT secured federal authorization to proceed into the construction phase for the Cherry Avenue Project, fully utilizing the repurposed \$958,736.

This Project will resurface about two miles of Cherry Avenue between Hillsdale Avenue and Branham Lane (see Attachment – Project Location) in poor to failed condition in the Major Streets Network. Resurfacing involves removing a depth of two inches of damaged asphalt concrete and replacing it with a new layer. This is typically performed in two separate phases: preparation and final surface application. Preparation includes the removal and replacement of any structurally failed areas of pavement that can be observed after the top layer of asphalt concrete is removed. The final surface application consists of installing a new layer of asphalt over the entire street, replacing roadway striping and raising utility lids to the new roadway surface.

DOT uses pavement management software to track roadway condition data and store maintenance history. This data is used to generate a candidate list of streets to be considered for the annual pavement maintenance program. The candidate list is analyzed by staff using the following criteria to create the final list of streets:

- Funding availability and funding use restrictions;
- Streets on the Major Streets Network;
- Streets not affected by current or future street-related projects;
- Maintenance history and prescribed treatment schedules;
- Streets associated with planned safety, bikeway or other “complete streets” projects;
- Community and City Council office feedback regarding roadway conditions and priority street segments;
- Relative location of street segments to create multiple, continuous segments, consistency within neighborhoods, and project efficiency; and
- Multi-year geographic spread across the city and street network.

DOT staff cross-referenced the zones selected for maintenance with census tracts designated by the MTC as Equity Priority Communities, formerly known as Communities of Concern, to better track equity in service delivery. Between 2023 and 2025, the major streets paving program has maintained 53 miles designated as Equity Priority Communities, roughly 28% of the 192 miles of major streets selected for maintenance. Based on this analysis, DOT will not maintain any mileage designated as Equity Priority Communities with this Project, as Cherry Avenue is not located within an Equity Priority Community.

Construction is scheduled to begin October 2026 with a substantial completion in December 2026.

ANALYSIS

A competitive Request for Bids was conducted in accordance with San José Municipal Code Chapter 27.10. Bids were opened on July 9, 2026, with the following results as shown below in Table 1.

Table 1. Bid Results

<u>Contractor</u>	<u>Bid Amount</u>	<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
Engineer's Estimate	\$1,110,000.00	--	--
O'Grady Paving, Inc. (Mountain View)	\$1,135,347.40	\$25,347.40	2
DeSilva Gates Construction (Dublin)	\$1,165,561.00	\$55,561.00	5
Granite Rock Company (San José)	\$1,169,668.00	\$59,668.00	5
QA Constructors Inc. (San Francisco)	\$1,221,452.00	\$111,452.00	10
Radius Earthwork Inc. (San José)	\$1,313,513.60	\$203,513.60	18
McKim Corporation (Gilroy) (<i>non-responsive</i>)	\$1,324,684.60	\$214,684.60	19
QLM, Inc. (San José)	\$1,326,133.00	\$216,133.00	19

The bid from McKim Corporation was deemed non-responsive for failing to properly sign the Proposal form.

The low bid submitted by O'Grady Paving, Inc. is 2% above the Engineer's Estimate. All bids were above the Engineer's Estimate. Staff expected the price of paving-related items to increase compared to previous years due to the increase in the oil price index. Staff also expected an increase in pricing due to advertising the project later in the year as many contractors may already have full project loads for the year. Staff observed that the cost of rubberized hot-mix asphalt was 16% higher than estimated and the cost of green pavement enhancement striping for bike lanes was 67% higher than estimated. These two items respectively were the largest and second-largest sources of variance

between the low bid and the Engineer's Estimate and accounted for the difference between the bid and the Engineer's Estimate. The bid is acceptable for the work involved.

Contractor Prior Experience

O'Grady Paving, Inc. has successfully completed multiple paving projects for the City of San José with larger project scope and size including: 10492 – 2025 Local Streets Resurfacing West Pavement Project; 10381 – 2024 Major Streets Resurfacing Project #1; and 10255 – 2023 Major Streets Resurfacing Project #1.

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 building or buildings. The standard 10% contingency is appropriate for this Project.

Wage Theft Prevention Policy Check

The Office of Equality Assurance reviewed bidders for compliance with the City's Wage Theft Prevention Policy on July 9, 2026, and again on July 21, 2026. No wage theft issues were identified.

Project Labor Agreement Applicability

The Project Labor Agreement (PLA) is applicable to all construction projects with an Engineer's Estimate greater than \$730,000. However, Section 2.4.11 of the PLA contains an exemption for certain federally funded projects if the City is unable to obtain approval from the grant-funding agency for use of the PLA.

On July 3, 2025, the Director of Public Works submitted a letter to Caltrans seeking approval from Caltrans and the Federal Highway Administration to include the PLA on this Project.

On May 7, 2026, Caltrans informed the City that the Federal Highway Administration has not provided written approval to date. Accordingly, the City has notified the Santa Clara and San Benito Counties Building and Construction Trades Council that it is invoking Section 2.4.11 of the PLA and exempting this Project from PLA applicability.

Local and Small Business Outreach

O'Grady Paving, Inc., is a Local Business Enterprise but not a Small Business Enterprise. No local companies were listed as subcontractors.

EVALUATION AND FOLLOW-UP

DOT provides an ongoing evaluation of San José's pavement conditions and periodically reports on this topic to the Transportation and Environment Committee.

FISCAL IMPACTS

This Project supports the Transportation and Aviation Services City Service Area goal to preserve and improve transportation assets and facilities. The pavement maintenance performed by the Project will extend the useful life of the street. The sources of funding for this project are through a federal grant – One Bay Area Grant 2 (OBAG2) budgeted under the Construction Excise Tax Fund and earmarked State Gas Tax funding in the State Gas Tax Pavement Maintenance Fund. At this time, DOT is anticipating to rebudget unearned OBAG2 grant funding from 2025-2026 to 2026-2027, as part of a future budget process. If these funds are made available, DOT will prioritize their use for this Project, subject to the appropriation of funds.

This Project will not result in any net operating and maintenance cost increases to the General Fund.

1. TOTAL COST OF PROJECT

Project Delivery*	\$ 222,000.00
Construction	1,135,347.40
Contingency	113,535
TOTAL PROJECT COSTS	\$ 1,470,882.40
Costs expended to date	\$ 43,467.76
TOTAL REMAINING PROJECT COSTS	\$ 1,427,414.64

*Project delivery includes \$60,000 for design services and bidding and \$162,000 for construction management, survey and inspection services.

2. COST ELEMENTS OF CONTRACT AS RECOMMENDED AS PART OF THE MEMORANDUM:

Utility Adjustment	\$ 111,250.00
New Paving	776,582.40
Thermoplastic Striping	229,115.00
Other Construction Costs	18,400.00
TOTAL CONTRACT AMOUNT	\$1,135,347.40

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BUDGET REFERENCE

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

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2026-2027 Proposed Mid-Biennial Capital Budget Page*	Last Budget Action (Date, Ord. No.)
480	406C	Pavement Maintenance – SB1 Road Repair & Accountability Act of 2017	\$27,853,500	\$1,135,347.40	299	6/16/2026 31336

**The 2026-2027 Proposed Mid-Biennial Capital Budget was released on April 27, 2026, reviewed on June 9, 2026, and adopted on June 16, 2026 by the City Council.*

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the August 25, 2026 City Council meeting.

When construction begins, the contractor will provide advance notification regarding working hours, Project duration, and any appropriate schedule and lane closures to affected businesses and residents, as stated in the specifications. To inform traveling motorists of upcoming construction activities and potential traffic delays, changeable message signs may be used stating the scheduled date and time for work to occur on the street.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

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CEQA

Categorically Exempt, File No. ER24-313, CEQA Guidelines Section 15301(c) - Existing Facilities.

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/
JOHN RISTOW
Director of Transportation

/s/
MATT LOESCH
Director of Public Works

For questions, please contact Jennifer Seguin, Deputy Director, Department of Transportation, at jennifer.seguin@sanjoseca.gov or Katherine Brown, Assistant Director, Department of Public Works at katherine.brown@sanjoseca.gov.

ATTACHMENT:
Project Location

ATTACHMENT – Project Location

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PROJECT LOCATION

Street Name	Street From	Street To	Council District
CHERRY AV	HILLSDALE AV	BRANHAM LN	9

