



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano

SUBJECT: CITYWIDE CAPITAL IMPROVEMENT PROGRAM ANNUAL REPORT **DATE:** October 8, 2019

Approved

Date

10-16-19

RECOMMENDATION

Accept the annual report on the Citywide Capital Improvement Program for Fiscal Year 2018-2019.

OUTCOME

The Citywide Capital Improvement Program (CIP) Annual Report provides the Council a comprehensive review of major public works project and program activity during FY 2018-19.

BACKGROUND

Since early the 2000's, the CIP Report has provided Council with periodic updates on the status of the Citywide CIP. At the peak of this period, the status report was produced quarterly and tracked more than 600 projects for a 5-year adopted CIP budget of close to \$4 billion. The CIP Report focuses on currently active major public works projects and is currently presented as an annual fiscal year-end report.

ANALYSIS

This report is intended to provide a summary of the FY 2018-19 CIP. Project information is sourced from the Capital Project Management System (CPMS) as of June 30, 2019, and has been coordinated with all project delivery partner departments.

In summary, from July 1, 2018, through June 30, 2019, the Citywide capital program actively worked on approximately 176 projects totaling approximately \$1.1 billion in value. The volume of work reflects the various phases that CIP projects go through from start to finish. Of those 176 projects, 78 projects valuing \$272 million were completed and put into use during FY 2018-19. The CIP received an average of 4 bids per project with an average bid variance of 3.7%

below the engineer's estimate (median variance of -5.5%).

The CIP tracks a limited amount of project cost data. Many factors play a role in whether material and/or labor costs are increasing or decreasing and affecting bids. The Department of Public Works will continue to analyze cost trends and will continue to report this information in future reports.

There are several new programs and policy initiatives being worked on in the City's capital improvement program that will enhance project delivery and create greater opportunities for our community to partner with the City in the delivery of the CIP. These initiatives are summarized below:

- **Local and Small Business Participation:** The Department of Public Works has implemented the Public Works Contracting Program with the intention of increasing local and small business participation in CIP construction contracts. Key components include: The Public Works Academy, a series of educational events aimed at engaging local, small contractors, and the Minor Prequalification Pool Program, a trial procurement process through which pools of prequalified contractors compete for minor public works projects. In the FY 2018-19 reporting year, local contractors were awarded ten contracts totaling \$52.5 million; four projects (worth \$9.8 million) were awarded to local contractors who are also small businesses.
- **Measure T:** On November 6, 2018, voters approved Measure T which allows the City to issue \$650,000,000 in General Obligation Bonds to upgrade the City's infrastructure. Bond funding would be used to upgrade public safety buildings, emergency/disaster response facilities, and roads and bridges. City staff will provide an update to the Mayor and City Council in December.
- **Measure S:** On November 6, 2018, voters approved Measure S which modifies the City's charter to update contracting rules for public works projects. These modifications include the increase of the minor public works threshold from \$100,000 to \$600,000, the design-build threshold decreases from \$5,000,000 to \$1,000,000, bid notices to be published online electronically, and the addition of "Best Value Contracting" as an alternative procurement method. On September 24, 2019, the City Council approved a revision to the Municipal Code creating a new Title 27 that formally codifies these changes.
- **Project Labor Agreements:** In March 2019, the City Council approved a Project Labor Agreement with the Santa Clara and San Benito Counties Building and Construction Trades Council, which will apply to certain City public works projects valued over \$3,000,000. In future CIP Annual Reports, the Public Works department will report out the statistics and trends associated with projects on which PLAs are applied.

EVALUATION AND FOLLOW-UP

The Citywide CIP Annual Report documents the progress of the Citywide CIP Program activity in FY 2018-19. This program is committed to the delivery of quality projects that are on time and on budget. Additionally, in 2020 staff will look at revising the timing of this CIP report to better coincide with reports related to Measure T implementation, Street Paving Program, and the City's infrastructure backlog report.

PUBLIC OUTREACH

This memorandum will be posted to the City's website for the October 29, 2019, City Council Agenda.

COORDINATION

This Annual CIP Report has been coordinated with the Airport, Environmental Services, Parks, Recreation and Neighborhood Services, and Transportation Departments as well as the Offices of the City Attorney, City Manager, and Cultural Affairs.

COMMISSION RECOMMENDATION/INPUT

Capital projects identified in this report may have included suggestions, recommendations, or actions from a City Commission. Projects with specific City Commission action will be individually reported through the appropriate department action.

CEQA

Not a Project, File No. PP17 009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
MATT CANO
Director of Public Works

For questions please contact David French, Division Manager, at (408) 975-7276.

Attachment: Citywide Capital Improvement Program Annual Report FY 2018-19



Alviso Pump
Station Outfall



Citywide Capital Improvement Program Status Report FY 2018-19

Prepared by the Department of Public Works

Citywide Capital Improvement Program Status Report FY 2018-19

The 2018-19 Adopted Capital Budget, part of the \$4.3 billion 5-year Capital Improvement Program, totaled \$988 million and included significant investment to sustain, enhance and develop a wide array of public infrastructure to improve system reliability, enhance recreational experiences, advance public safety and ensure that San José is well positioned for further economic growth and opportunity. This Citywide Capital Improvement Program Status Report highlights some of the key projects from fiscal year (FY) 2018-19 (July 1, 2018 through June 30, 2019) that have had a positive impact on the community including:

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Program Overview

- Rehabilitating and enhancing parks and recreation facilities
- Upgrading and revitalizing the San José Santa Clara Regional Wastewater Facility
- Expanding the Norman Y. Mineta San José International Airport
- Renovating portions of the San José McEnery Convention Center

02

FY 2018-19 also saw several new policy developments which will impact capital projects in subsequent years.

CIP by the Numbers

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Building Our City Together with Our Community

- In November 2018, San José voters approved Measure T to provide \$650 million in general obligation bond funding for important infrastructure projects throughout the City. Nearly half of the investment will be in resurfacing and repairing City streets and bridges. The remaining funds will be used to relocate and build fire stations and complete a number of critical public safety, flood protection, LED lighting and clean water projects.
- Voters also approved Measure S, which amended the City Charter to update and streamline bidding requirements. These updates include increasing the minimum bidding threshold from \$100,000 to \$600,000, lowering the threshold for using the Design-Build project delivery method from \$5,000,000 to \$1,000,000, authorization of a “Best Value” procurement method, and providing flexibility to implement programs supporting the use of small, local and economically disadvantaged businesses.

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Completed Project Highlights

- Additionally, in March 2019, the City Council approved a Project Labor Agreement with the Santa Clara and San Benito Counties Building and Construction Trades Council, which will apply to certain City public works projects valued over \$3,000,000.

It is anticipated that future Citywide Capital Improvement Program Status Reports will include information about how these policies are impacting capital program delivery.



Airport Interim Gate Facility

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CSA Completed Project HighlightsSection 6





Section 1 - Program Overview

The City of San José’s Capital Improvement Program (CIP) is composed of capital improvement projects, which are major improvements or expansions to City facilities or infrastructure. Typical capital improvement projects include new construction, replacement, and/or renovation of:

- Community centers, libraries, playgrounds, and trails
- Sidewalks, bikeways and roads
- Water, storm, and sewer lines
- Public art projects
- San José-Santa Clara Regional Wastewater Facility (RWF)
- San José McEnery Convention Center facilities
- Mineta San José International Airport facilities (SJC)

In addition, the CIP includes projects that indirectly lead to the construction of capital improvements, such as feasibility studies and master planning efforts as well as real estate transactions.

The CIP was approved by the City Council as the 2018-19 Adopted Capital Budget and 2019-23 Capital Improvement Program. Projects were recommended for funding in the proposed CIP in consideration of approved budgets, policy, guidelines, public safety and/or economic development urgency, approved master plans and external regulatory agencies.

While this report was prepared by the Department of Public Works, multiple departments in the City possess lead and partnering roles in the CIP delivery, such as the lead role the Environmental Services Department takes at the RWF.

To facilitate program delivery across multiple departments, the City works within six City Service Areas (CSAs).

- Community and Economic Development
- Environmental and Utility Services
- Neighborhood Services
- Public Safety
- Strategic Support
- Transportation and Aviation Services

| | |
|---------------------------------------|--------------------------------------------|
| 2018-19 Adopted Capital Budget | 2019-23 Capital Improvement Program |
| \$988.0 million | \$3.3 billion |

Section 2 - CIP by the Numbers

Chart 1: Projects with Activity in FY 18-19 (176 total)

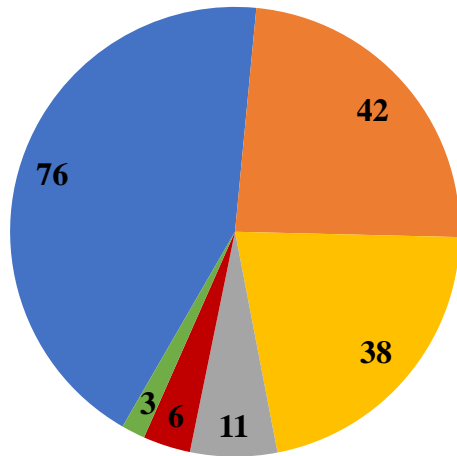
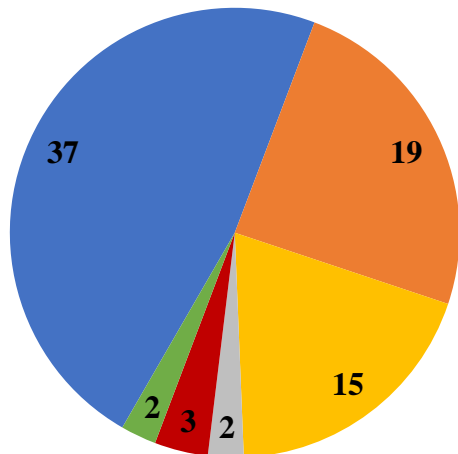


Chart 2: Projects Completed in FY 18-19 (78 total)



- Environmental & Utility Services
- Transportation & Aviation Services
- Neighborhood Services
- Community & Economic Development
- Strategic Support
- Public Safety

The Citywide Capital Improvement Program Status Report is intended to provide information about the CIP for the period of FY 2018-19.

The City tracks CIP projects through the Capital Program Management System (CPMS) database. CPMS is an internal and external tool, allowing City staff to manage CIP projects and the public to locate information about CIP projects. In addition to listing all projects citywide, CPMS can show projects by Council District, or by CSA. (<http://cpms.sanjoseca.gov>)

From July 1, 2018 through June 30, 2019, the City actively worked on approximately 176 CIP projects totaling approximately \$1.1B in value. Chart 1 represents the total active CIP projects by CSA.

This volume of work reflects the various phases that CIP projects go through from start to finish. These projects involved the work of several divisions within the Department of Public Works as well as partner departments (ESD, DOT, PRNS, Airport).

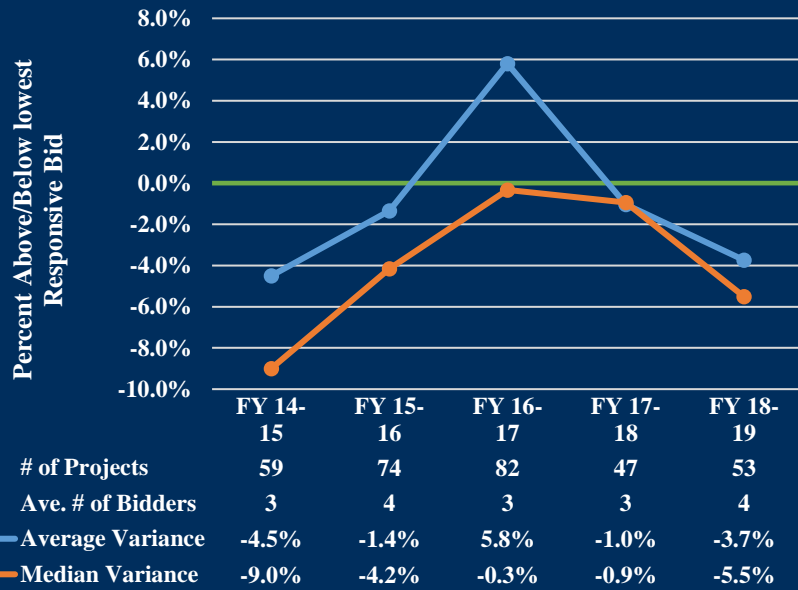
Of those 176 projects, 78 projects (valuing \$272M) were completed and put into use during FY 2018-19.¹

Performance Measures

A set of consistent and comprehensive performance measures along with targets and goals have been established for the CIP. Measures have been established in two key areas: schedule and project delivery cost. The most recently reported data (for fiscal year 2017-18) can be found in the 2018-19 Adopted Capital Budget. It shows an estimated on-schedule performance of 84% (65 of 77 projects on schedule, with an 85% target) and an estimated on-budget performance of 85% (51 of 60 projects on budget, with a 90% target). Estimated on-time and on-budget performance for FY 2018-19 will be reported in the 2019-20 Adopted Capital Budget.

¹ 6 CIP public art projects were completed during FY 2018-19. Due to the nature of the CIP project reporting system, these projects are not included in the list of completed CIP projects.

Chart 3: Variance Between Lowest Responsive Bid and Engineer's Estimate



Bidding Environment

During FY 2018-19, the CIP conducted 53 construction bids totaling \$158.9M. During that time the program received an average of 4 bids per project with an average variance of 3.7% below the engineer's estimate which is within the industry average of +/-5%. Chart 3 reflects the 5-year average number of bids and the variance in bids.

* Contracts put out to bid in FY 2018-19 may not have been awarded in the FY and therefore this number will not match with number of awarded contracts reported.

Project Cost

The CIP has compiled data on two project types that are completed on a regular basis: airport pavement projects (excluding demolition and utilities) and cast iron sewer replacement projects (excludes traffic control, mobilization, and pipe rehabilitation). Over the past several years the CIP has seen a steady increase in the construction cost per square yard for airport pavement projects. Construction costs per linear foot for cast iron sewer replacement meanwhile has fluctuated.

Many factors contribute to project pricing and play a role in whether material and/or labor costs increase or decrease. While the CIP is unable to say which specific factors have caused the construction cost per unit of measurement to increase or decrease for these two project types, the information is used to ensure that accurate engineer estimates are generated. Chart 4 and 5 reflect the 5-year comparison construction cost per unit of measurement.

Chart 4: Airport Pavement Projects (cost/square yard)

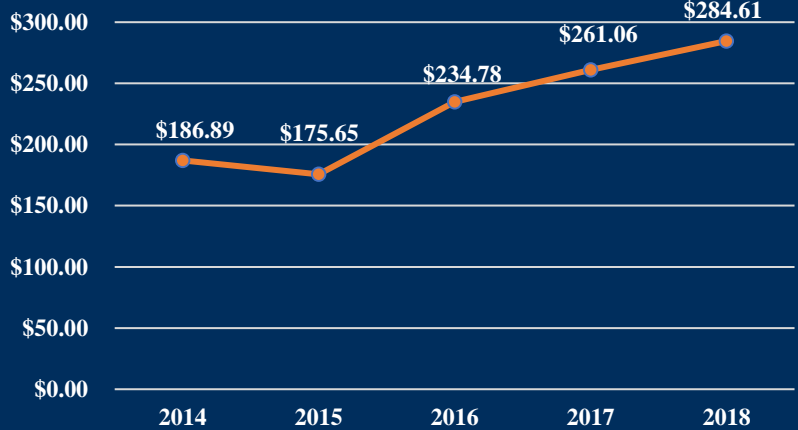
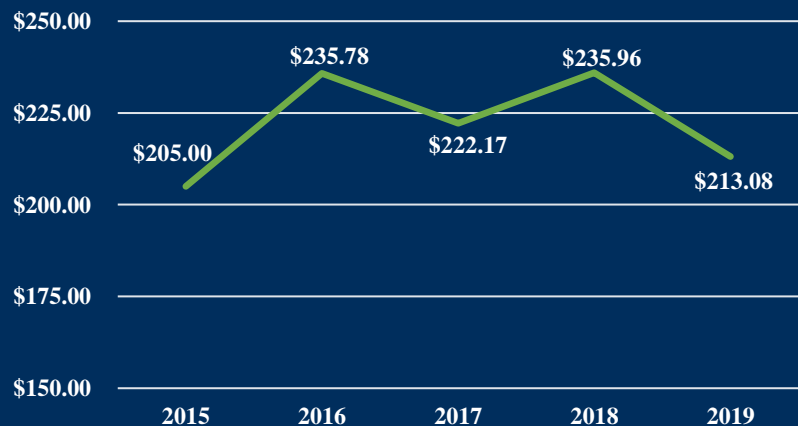


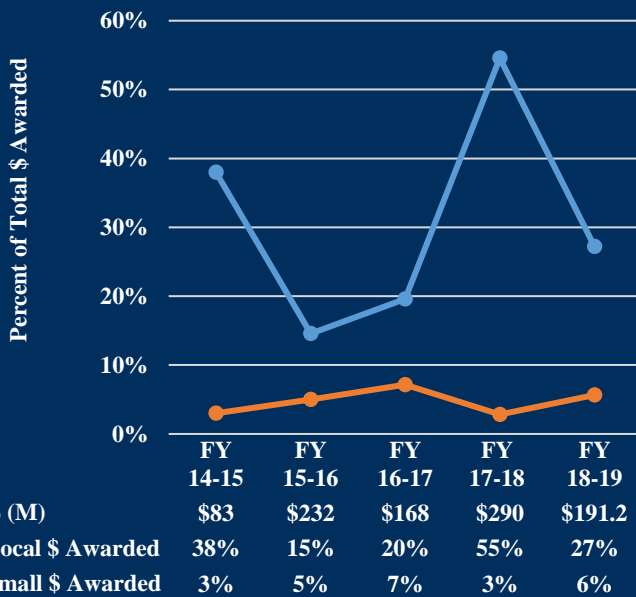
Chart 5: Cast Iron Sewer Replacement (cost/linear foot)



Section 3 - Building Our City Together With Our Community

The Department of Public Works tracks local and small prime contractor participation for major public works construction contracts (those valued at more than \$600,000) awarded each fiscal year. This data is collected through a voluntary form filled out by contractors during the contract execution stage. During FY 2018-19 there were 57 CIP construction contracts awarded totaling \$191.2M. Ten projects (worth \$52.2M) were awarded to local contractors; 4 projects (worth \$9.8M) were awarded to local contractors who are also small businesses. Chart 6 & 7 reflect the 5-year comparison of local and small contract awards.

Chart 6: Local and Small Business Dollars Awarded (as Percentage)

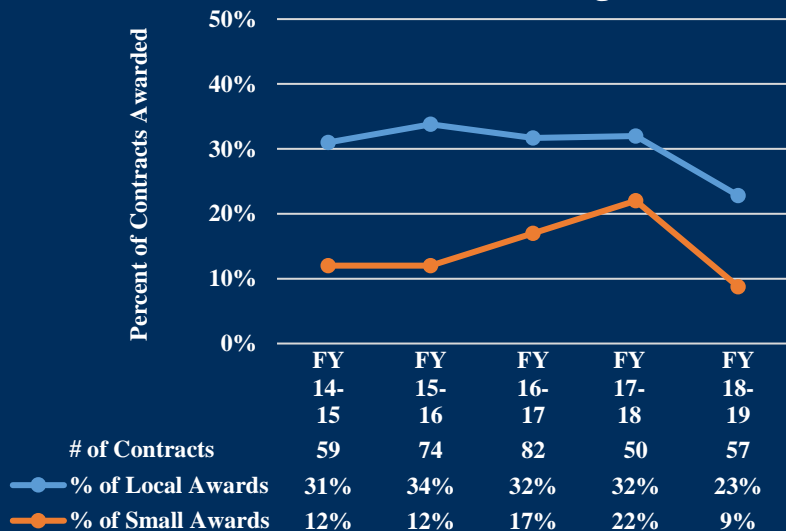


As shown in Chart 6, in FY 2017-18 the program saw a spike in the percentage of dollars awarded to local contractors due to the award of the \$100M+ design-build contract for the New Headworks project at the RWF and the \$37M Interim Four Gate Boarding Facility project at the SJC.

The number of construction contracts awarded to small and local business fluctuates year to year. The program acknowledges the decrease in the percentage of contracts awarded to local and small contractors in FY 2018-19.

However, the Department of Public Works has implemented the Public Works Contracting Program with the intention of increasing local and small business participation in CIP construction contracts in the long-term.


Chart 7: Local and Small Business Contracts Awarded (as Percentage)



Section 4 – Public Works Contracting Program

Public Works Academy: In December 2018, the City launched the Public Works Academy, a series of opportunity awareness events, educational seminars and refresher workshops aimed at engaging local, small contractors and educating them on City contracting, bonding and payroll requirements. More than 35 people attended the first educational seminar series, one of whom subsequently participated in the newly formed Minor Prequalification Pool program.





CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

PUBLIC WORKS DEPARTMENT

**9281 – CONTRACTOR QUALIFICATION REQUEST
FOR:
2019 MINOR PUBLIC WORKS BUILDING PROJECTS**

Approved: _____
MATT CANO
Director

Date: _____

PROJECT MANAGER: Katherine Brown
ADDRESS: 200 East Santa Clara St, 6th Floor
San Jose CA 95113
TELEPHONE: (408) 535-3500
EMAIL: Katherine.Brown@sanjoseca.gov

Minor Prequalification Pool Program: In January 2019, the City began a trial procurement process through which pools of prequalified contractors compete for minor public works projects. The goals of this procurement process are to encourage greater competition on minor projects and encourage greater use of small and local contractors. The first pool was created for minor public works street projects. This pool consisted of 12 contractors, of which 7 were local and 5 were small contractors. These contracts were executed in July 2019. Subsequent prequalification pool procurements for minor public works building, parks, electrical, plumbing, and mechanical projects were issued in summer 2019. The Public Works Academy’s Contracting Seminars are tied into this program as any contractor who completes the seminars will have a portion of the experience requirement of bidders having to have completed previous work for a government agency.

Section 5 - Ongoing Policy Work

The Department Public Works, Office of Equality Assurance (OEA) administers and enforces the City's prevailing, living, and minimum wage ordinances and policies. In addition, OEA leads the development and administration of multiple Council Priorities that may impact future CIP project delivery, including but not limited to, Local Hire Policy, the City's Disadvantage Business Enterprise Program, and Wage Theft Prevention Policy.

In order to more efficiently monitor prevailing and living wage compliance, as well as gather data to inform the above Council Priorities, staff entered into an agreement with Innoactive Group to develop, test, and implement a software solution. The software will allow contractors to electronically submit prevailing/living wage documentation and other labor compliance information.

A brief description of the priorities is as follows:

Council Priority #1 (Local Hire Policy): Create policies encouraging the hiring of local workers and contracting of local and small businesses. Staff expects to bring forward recommendations in Spring 2020.

Council Priority #3 (Disadvantage Business Enterprise Program): Explore expanding existing Disadvantage Business Enterprises program beyond Airport to other City Departments. Staff provided an update to the Community and Economic Development Committee on September 23, 2019 and the item was cross referenced to the October 8, 2019 City Council agenda.



Paper-heavy labor compliance system (above) will be replaced with a software solution, allowing labor compliance staff to perform daily functions without as much paperwork (right)

Council Priority #16 (Update the Council's Wage Theft Prevention Policy): Explore opportunities to amend and expand the City's Wage Theft Prevention Policy. Research should include expanding the current policy to public works contracts as well as exploring a responsible construction ordinance and potential penalties for private construction projects that receive city incentives and commit wage theft violation on those projects.



*Community and
Economic
Development*

The Community and Economic Development CSA projects include those projects implemented by the Office of Economic Development and public art projects.

Alviso Storm Pump Station Public Art



Artist Sam Tubiolo was commissioned to create public art on the exterior wall of the new **Alviso Storm Pump Station** which was completed in August of 2019 with a construction value of \$13M. The new station, built on a vacant lot in an old residential neighborhood at the edge of the Alviso wetlands, will improve the flood control for this flood-prone area.

City staff worked closely with the artist and local community to design this project, paying particular attention to how the look of the new facility would impact the area and working to preserve the character of the neighborhood. The artist's challenge was to create artwork that would enhance the concrete wall which encompasses the Gold Street and Catherine Street façade of the station. The result, entitled *Dreams of the Salt Marsh*, is created from hand-sculpted clay tiles that run the full 240 linear feet of the facility's exterior 10-foot-high wall and depicts scenes of Alviso's history and images of the wetlands.

Artist Contract Award Amount: \$81,000

Completion Date: June 2019

Total # of Active Projects in CSA: 11
Total Completed Projects in CSA: 2
5 Year CIP Dollar Value: \$14,141,408

Neighborhood Services

The Neighborhood Services CSA includes capital project development for parks, trails, libraries, and community facilities.

Del Monte Park Phase I Shade Improvements



Del Monte Park is named after the cannery that once occupied its location southwest of downtown San José on the corner of Auzerais Avenue and Sunol Street. The park was designed and constructed in phases, the first of which (Phase I) involved a playground and dog park. Phase II expanded the park by 3.99 acres and added a synthetic surface, lighted soccer field and associated improvements. The field has been so well received that the City has field reservations booked out for a year.

The Del Monte Park Phase I Shade Improvement Project was initiated in response to requests from the community for additional shade at Del Monte Park. It included installation of a shade sail structure over the play area and four custom shade structures in the dog park. The project design continued elements from earlier phases that reflected the architecture of the original cannery building.

City staff and the contractor were able keep the play area and dog park available to the public as much as possible by phasing the construction timing.

Construction Award Amount: \$463,717

Beneficial Use Date: March 29, 2019

Total # of Active Projects in CSA: 76

Total Completed Projects in CSA: 37

5 Year CIP Dollar Value: \$1,648,406,311

*Environmental
and Utility
Services*

The Environmental and Utility Services CSA includes the sanitary sewer system, storm sewer system, water pollution control and water utility capital programs.

Headworks Critical Improvements



As part of the 10-year, \$1.4 billion, Capital Improvement Program at the **San José-Santa Clara Regional Wastewater Treatment Facility (RWF)**, a new headworks facility will be constructed, in conjunction with improvements to the existing headworks system, to replace the original duty headworks facility, which has been in operation for 60 years. The headworks facility provides preliminary treatment of raw sewage at the RWF and removes debris and grit that may be harmful to downstream equipment and processes.

The goal of the Headworks Critical Improvements Project was to implement improvements that were needed immediately to address safety and reliability concerns, while the new headworks facility is designed and constructed. The project included replacement of two bar screens and two actuators for reliability purposes, and the reconfiguration of electrical disconnects to improve safety. Construction at the RWF requires close collaboration with operations and maintenance staff to ensure wastewater continues to be treated 24 hours a day, 7 days a week.

Construction Award Amount: \$1,499,000
Beneficial Use Date: August 16, 2018

Total # of Active Projects in CSA: 38
Total Completed Projects in CSA: 15
5 Year CIP Dollar Value: \$398,453,924

Transportation and Aviation Services

The Transportation and Aviation Services CSA is dedicated to the development and completion of surface and air transportation projects and centered on roads, bicycling and pedestrian movement.

Airport Interim Gate Facility



Mineta San José International Airport (SJC) in early-2018 was faced with rapidly-growing passengers and flights, but not enough boarding gates to serve them efficiently. Constructing the Interim Gate Facility Project is a temporary solution to meet Silicon Valley's ongoing demand for air travel.

The project was originally designed to construct four gates. The City worked to expand the scope to six gates and still stay within the approved \$58 million budget. The two extra gates are anticipated to increase rent revenue by \$1 million a year per gate while accommodating growing passenger demand. They also will help to propel SJC's projected 2019 passenger traffic growth to 11% year-over-year, nearly four times the industry average growth rate of 3%.

The 11-month, fast-tracked project resulted in a facility that will continue operating without interruption while the future, permanent Phase 2 Expansion of Terminal B is constructed around it.

Construction Award Amount: \$58,000,000
Beneficial Use Date: June 13, 2019

Total # of Active Projects in CSA: 42
Total Completed Projects in CSA: 19
5 Year CIP Dollar Value: \$1,120,446,981

Public Safety

The Public Safety CSA consists of fire and police capital projects, including projects funded through the Public Safety Bond Program approved by San José voters in March 2002.

Fire Station 29 Generator Replacement



Fire Station 29 is located in North San José, at Innovation Drive and Zanker Road. Installed in 1993, the station's 40 kW generator was nearing the end of its useful life. It was also undersized and unable to provide support for radio communications.

The Fire Station 29 Generator Replacement Project involved installing a new 200 kW generator to act as backup power for radio communications and the AT&T cell phone tower. The 200kW generator can provide backup power for the entire station's electrical load for a duration of 72 hours, providing essential public safety support.

This type of project is part of a larger effort to provide critical City facilities with redundant and resilient power supply in the event of an extended emergency or a widespread power outage as part of PG&E's Public Safety Power Shutoff Program. All new municipal buildings, including several new Public Safety facilities funded through Measure T, will be constructed with these goals in mind.

Construction Award Amount: \$389,200

Beneficial Use Date: April 5, 2019

Total # of Active Projects in CSA: 3

Total Completed Projects in CSA: 2

5 Year CIP Dollar Value: \$51,631,277

*Strategic Support
Services*

*The Strategic Support CSA implements projects at City Hall
and other city-owned facilities.*

Convention Center Restrooms Upgrades



The San José McEnery Convention Center sits in the center of Downtown and hosts hundreds of events a year. Constructed in 1989, the Convention Center has undergone several expansion and upgrade projects over the years; however, the restrooms dated back to the Convention Center’s original construction and no longer met accepted corporate or hospitality standards for a world class convention center.

The Convention Center Restrooms Upgrades Project modernized 16 restrooms throughout the venue. Construction was scheduled to minimize disruption to scheduled events.

Construction Award Amount: \$1,765,000

Beneficial Use Date: February 22, 2019

Total # of Active Projects in CSA: 6
Total Completed Projects in CSA: 3
5 Year CIP Dollar Value: \$80,713,828