



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano
John Aitken

SUBJECT: SEE BELOW

DATE: June 6, 2022

Approved

Date

6/9/2022

**SUBJECT: ACTIONS RELATED TO THE 9699-MINETA SAN JOSÉ
INTERNATIONAL AIRPORT GENERAL AVIATION RUN-UP PAD
RELOCATION RE-BID.**

RECOMMENDATION

Adopt a resolution authorizing the Director of Public Works to:

- (a) Award and execute a contract for the construction of the 9699 - Mineta San José International Airport - General Aviation Run-Up Pad Relocation Re-Bid Project to the low bidder, Granite Rock Company, in an amount not to exceed \$1,488,439, contingent upon the award and execution of an Airport Improvement Program or Bipartisan Infrastructure Law grant from the Federal Aviation Administration (FAA);
- (b) Establish a construction contingency of up to 10 percent of the amount of the construction contract for the project.

OUTCOME

The recommendation provides the most efficient means of awarding and executing a construction contract for the 9699 - Mineta San José International Airport - General Aviation Run-Up Pad Relocation Re-Bid Project (Project) and will provide the City of San José (City) with the best opportunity to take advantage of potential FAA grant opportunities that have extremely tight time constraints. Approval of a contingency of up to 10 percent will provide funding for any unanticipated work necessary for the proper completion or construction of the Project.

BACKGROUND

Airport staff periodically assemble a priority list of capital improvement projects that meet eligibility requirements for the FAA's Airport Improvement Program (AIP) grant funding. This priority list is submitted to the FAA for review and prioritization based on the 16 general requirements for project funding, as outlined in the FAA's AIP Handbook. To be justified as eligible for funding, proposed projects must pass three basic criteria:

1. Demonstrate the advancement of one of the following AIP policies: airport safety, airport security, airport capacity, meeting an FAA standard, preserving airport infrastructure through reconstruction or rehabilitation, protecting and enhancing the environment, minimizing aircraft noise impacts, and airport planning;
2. Be an actual need based off the criteria outlined above; and
3. Have appropriate scope that aligns with the AIP policies listed above.

The Project fits the criteria for FAA AIP grant funding outlined above as the scope of work provides necessary preservation of airport infrastructure through reconstruction or rehabilitation. The Project will improve airfield safety by eliminating a designated airfield incursion hotspot at the intersection of Taxiway D and Taxiway W by relocating the existing run-up pad to the apron area between Taxiway B and Taxiway C on the southwestern end of the airport.

Award of the Project is contingent upon the execution of the grant from the FAA. When there are available funds for redistribution, FAA awards grants to sponsors that can submit the grant applications and accept grant offers within hours of notification. Additionally, AIP grant awards are based on actual bid results, requiring staff to have bids in hand at the time funds become available for redistribution.

The original 9699 – Mineta San José International Airport – General Aviation Run-Up Pad Relocation project (original project) was identified to potentially receive undistributed discretionary AIP funding in federal fiscal year (FFY) 2021. The original project was advertised, and a responsible and responsive bidder was identified, but the original project did not receive any discretionary AIP funds for FFY 2021 that ended September 30, 2021. The airport included the project on the FFY 2022 Airport Capital Improvement Plan (ACIP) to the FAA, and in order to re-apply for the grant, a re-bid of the project was necessary.

The scope of work for the Project includes removal of existing pavement and tie-downs, excavation and stabilization of the subgrade and base course, and the addition of a new bituminous surface course. The Project also includes drainage improvements, pavement striping, airfield signage, and associated electrical work. The existing Run-Up Pad will be decommissioned following the completion of the Project.

Pending receipt of the FAA grant, the Project is anticipated to be awarded to the low bidder, Granite Rock Company (Granite Rock), in August 2022 and construction is estimated to begin in October 2022 with projected completion by February 2023.

ANALYSIS

Bids were opened on February 17, 2022, and a single bid was received with the following results:

<u>Contractor</u>	<u>Total Bid</u>	<u>Variance Amount</u>	<u>Over/ (Under) Percent</u>
Engineer's Estimate	\$1,386,000		
Granite Rock Company (San José, CA)	\$1,488,439	\$102,390	7%

The Project was bid in accordance with the FAA's AIP program requirements requiring all bids to be valid for a minimum of 120 days. The current bids are valid for 180 calendar days, until August 16, 2022.

The bid submitted by Granite Rock is approximately seven percent over the Engineer's Estimate. Staff considers the bid submitted by Granite Rock to be reasonable and acceptable for the work involved in the Project. Analysis and evaluation of the bid revealed the following variances, which contributed to the higher than estimated bid:

1. Electrical item increases are still outpacing construction inflation cost increases. Five items consisting of edge lights, guidance signs, and retroreflective markers contribute to almost the entirety of the delta between the bid and the Engineer's Estimate. These items are all between 12 percent and 117 percent higher than the costs submitted by bidders one year ago for the original project. Based on feedback from suppliers, long lead times continue to be a contributing factor for these increases.
2. One bidder – seeing multiple bidders helps paint a better picture of the bidding economy. One contractor may struggle to procure certain construction items while another may have ready access to it. The Engineer's Estimate prices are based on expected range of conditions and are sensitive to large deltas due to less bids being received.
3. Due to the on-going pandemic, the construction industry is experiencing an unprecedented inflation rate, and markups on products and materials are at an all-time high due to the current supply chain issues.

The minimum FAA AIP grant application total project cost is \$2,136,735 excluding project contingency. This amount has been established based on available funds and on FAA's grant limitations placed on reimbursement for project expenditures. The FAA AIP grant split is typically as 80.59 percent federal share and 19.41 percent grantee share.

The FAA AIP grant application is summarized below:

AIP Grant Application

Description	Amount
Federal Share	\$1,721,994
Grantee Share	\$414,741
Total Project Costs	\$2,136,735

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 is appropriate for this project and should be sufficient to account for unforeseen conditions that might arise during construction.

Project Labor Agreement Applicability

A project labor agreement is not applicable to this project as the total construction cost is below three million dollars, which was the project labor agreement threshold at the time this project was bid.

Local and 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 12,545 vendors, and documents were downloaded by 21 vendors, approximately five of which were located within Santa Clara County and therefore local. The recommended contractor is a local but not a small business enterprise. None of the listed subcontractors are local or small business enterprises.

CONCLUSION

Based on staff’s evaluation of the bid, staff recommends award of the construction contract to Granite Rock, contingent upon the award and receipt of the FAA AIP Grant. The proposal from Granite Rock is responsive and responsible for the work specified.

EVALUATION AND FOLLOW-UP

No additional follow up action with the City Council is 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

To solicit contractors, the Project was listed on Biddingo for 22 calendar days. The complete bid packages and project information for all Department of Public Works construction projects are available on Biddingo for interested contractors, contractor organizations, and builders' exchanges. This memorandum will be posted on the City's website for the June 21, 2022 City Council meeting.

Since the Project is funded in part with a United States Department of Transportation (USDOT)/FAA AIP grant, the federal Disadvantaged Business Enterprise (DBE) Program regulations found in 49 CFR Part 26 apply. The City's current DBE participation goal for its AIP grant-funded Airport capital projects in FFYs 2020-2022 is 4.1 percent annually. The City's DBE Program for AIP grant-funded Airport capital projects is a race neutral program that does not include project specific DBE participation goals.

Staff performed extensive outreach to encourage DBE participation. Outreach efforts included:

- Identification of potential/ possible subcontracting opportunities – one work area identified;
- Identification of 389 certified DBEs in that one subcontracting work area;
- Emails sent to the 389 certified DBEs;
- Emails sent to ethnic chambers, San José Chamber of Commerce, and other interested organizations including Minority Business Consortium - provided project information, subcontracting opportunities (NAICS Codes and Caltrans Work Codes), bid date and time, and DBE certification requirements;
- Posting contracting opportunity on Biddingo, FAA Opportunities, AMAC, NATA, ACI-NA, Minority Business Development Agency;
- Sharing Contact Opportunity on Airport's Requests for Information/ Proposal/ Qualification and Bid Notices.

Granite Rock has not listed any DBE subcontractors in its bid.

COORDINATION

The Project and memorandum have been coordinated with the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The San José Municipal Code requires that capital projects at the airport be consistent with the adopted Airport Master Plan. The project is consistent with the adopted Master Plan pursuant to Municipal Code Section 25.04.210(B). The Project is expressly identified in the Master Plan as Project "A-41".

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery*	\$	648,296
Construction	\$	1,488,439
Contingency	\$	148,844
TOTAL PROJECT COSTS	\$	2,285,579

*Project delivery includes \$329,615 for Design Services and \$318,681 for Construction Management and Inspection Services.

2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Mobilization	\$	115,000
Safety and Security	\$	75,000
Demolition and Removal	\$	247,479
Excavation	\$	45,015
Lime Treatment	\$	121,110
Subgrade and Base Course	\$	61,950
Bituminous Coating	\$	182,135
Pavement Marking	\$	64,401
Electrical	\$	424,349
Drainage Facilities	\$	73,000
Other	\$	79,000
TOTAL AGREEMENT/CONTRACT AMOUNT	\$	1,488,439

3. SOURCE OF FUNDING: 520 – Airport Capital Improvement Fund
527 – Airport Renewal and Replacement Fund

4. **FISCAL IMPACT:** This project has been reviewed and was determined that it will have no significant impact on the Airport operating budget.

BUDGET REFERENCE

The table below identifies the funds 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	2022-2023 Proposed Capital Budget Page	Last Budget Action (Date, Ord. No.)
520	401F	Airfield Configuration Updates**	\$12,603,000	\$1,199,533	618	N/A
527	401F	Airfield Configuration Updates**	\$3,036,000	\$288,906	618	N/A
Total Current Funding Available			\$15,639,000	\$1,488,439		

* The 2022-2023 Proposed Capital Budget will be adopted by the City Council on June 21, 2022. Additionally, funding in the amount of \$8,617,000 in Fund 520 and \$938,000 in Fund 527 will be rebudgeted into 2022-2023, bringing the total funding available in the 2022-2023 Adopted Budget to \$25,194,000. The contract is anticipated to be encumbered July 1, 2022.

** Project retitled from Airfield Geometric Implementation to Airfield Configuration Updates in the 2023-2027 CIP

CEQA

File No. PP18-103, Environmental Impact Report for the Amendment to the Norman Y. Mineta San José International Airport Master Plan (Resolution No. 79497).

/s/
MATT CANO
Director of Public Works

/s/
JOHN AITKEN, A.A.E.
Director of Aviation

For questions, please contact Katherine Brown, Deputy Director, Public Works Department, at (408) 795-1679.