



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Loesch  
Jim Shannon

**SUBJECT:** See Below

**DATE:** April 7, 2025

Approved

Date:

4/15/25

**COUNCIL DISTRICT: 5, 6, 8, 9**

**SUBJECT: Actions Related to the 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Re-Bid Project**

## **RECOMMENDATION**

- (a) Report on bids and award of a contract for the construction of 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Re-Bid Project to the lowest responsive, responsible bidder, SubTerra Construction, Inc., in the amount of \$4,750,370;
- (b) Approve a 10% contingency in the amount of \$475,037; and
- (c) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Sewer Service and Use Charge Capital Improvement Fund:
  - (1) Decrease the Unrestricted Ending Fund Balance by \$4,905,000; and
  - (2) Increase the Urgent Rehabilitation and Repair Projects appropriation to the Public Works Department by \$4,905,000.

## **SUMMARY AND OUTCOME**

Award of the contract to SubTerra Construction, Inc., enables the construction of the 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Project (Project) which will provide necessary sewer improvements that will minimize the risk of wastewater leaking out of sanitary sewer pipes and entering adjacent storm sewer pipes as required by the Exfiltration Abatement Program.

Approval of the 10% contingency will provide funding for any unanticipated work necessary for the proper completion or construction of the Project. Adoption of the

appropriation ordinance amendments will provide the additional funding needed to construct the Project and other sanitary sewer repair projects in 2024-2025.

## **BACKGROUND**

The Department of Public Works developed an Exfiltration Abatement Program to minimize risk of wastewater leaking out of sanitary sewer pipes and entering adjacent storm sewer pipes. This Project is part of this program and will repair and rehabilitate the most significantly defective sanitary sewer segments that are either crossing above or are adjacent to (within 10 feet) an existing storm drainpipe. The sewer segments included as part of this Project are at various locations in City Council Districts 5, 6, 8, and 9 (**Attachment A – 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Location Map**).

This Project will video inspect the condition of 119 selected six-inch, eight-inch, 10-inch, and 12-inch diameter vitrified clay pipe measuring approximately 36,500 linear feet. The Project also includes approximately 330 linear feet of point repairs, construction of new manholes, rehabilitation of existing manholes, and installation of 36,500 linear feet of cured-in-place pipe liner.

Construction is scheduled to begin in August 2025 with substantial completion in July 2026.

## **ANALYSIS**

Bids were opened on February 13, 2025, with the following results:

**TABLE 1**

<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>\$2,790,438</b>	--	--
SubTerra Construction, Inc. (San Francisco)	\$4,750,370	\$1,959,932	70
Southwest Pipeline & Trenchless Corp. (Torrance)	\$4,993,820	\$2,203,382	79

### *Bid Price Analysis*

The low bid submitted by SubTerra Construction, Inc. is 70% above the Engineer's Estimate. This was a result of higher unit costs for point repair and cured-in-place pipe liner installation. Factors that may have resulted in higher bids include the competitive nature within the construction industry, higher material and labor prices, understated Engineer's Estimate, or a combination of these issues. Staff reached out to other agencies including Los Angeles Sanitation District, Santa Cruz County Sanitation District, and the City and County of San Francisco and found that recent bid prices for point repairs and cured-in-place pipe installations at these agencies were as high or higher than the bid prices received for this Project. Staff will continue to monitor issues influencing construction costs and will consider these uncertainties in future projects. Staff considers the low bid to be acceptable for the work involved.

### *Contractor Responsibility Analysis*

SubTerra Construction, Inc. has successfully completed multiple sanitary sewer projects for the City of San José, including 9584 – Cast Iron Replacement Fiscal Year 2020-2021 Package II, accepted in April 2023, and 9311 – Mabury Yard Sanitary Sewer Replacement, accepted in October 2023.

### *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.

### *Wage Theft Prevention Policy Check*

The Office of Equality Assurance reviewed bidders for compliance with the City's Wage Theft Prevention Policy on February 13, 2025, and again on March 14, 2025. No wage theft issues were identified.

### *Project Labor Agreement Applicability*

The City's Project Labor Agreement is applicable to this Project because the Engineer's Estimate is higher than \$1.21 million.

### *Local and Small Business Analysis*

SubTerra Construction, Inc., is not a local or a small business enterprise. No local or small business enterprises were listed as subcontractors.

## **EVALUATION AND FOLLOW-UP**

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

## **COST SUMMARY/IMPLICATIONS**

The proposed operating and maintenance costs of the Project have been reviewed and it has been determined that the Project will have no significant adverse impact on the operating budget.

### 1. TOTAL COST OF PROJECT:

Project Delivery*	\$ 1,108,856
Construction (See Cost Breakdown Below)	4,750,370
Contingency	475,037
<b>TOTAL PROJECT COSTS</b>	<b>\$ 6,334,263</b>
Prior Years' Expenditures	272,288
<b>TOTAL REMAINING PROJECT COSTS</b>	<b>\$ 6,061,975</b>

\*Project delivery includes \$302,727 for design services and \$806,129 for inspection, survey, materials lab services, construction management, and project closeout costs.

### 2. COST ELEMENTS OF CONTRACT:

Mobilization and Traffic Control	\$ 310,000
Pipeline Repair	660,000
Pipeline Rehabilitation	2,880,700
Manhole Rehabilitation	144,000
Other Construction Costs	755,670
<b>TOTAL CONTRACT AMOUNT</b>	<b>\$ 4,750,370</b>

### 3. SOURCE OF FUNDING: 545 - Sewer Service and Use Charge Capital Improvement Fund.

The Recommendation includes budget actions to allocate \$4,905,000 from Ending Fund Balance to the Urgent Rehabilitation and Repair Projects appropriation. This appropriation has an ongoing allocation to fund urgent rehabilitation and repairs; however, additional funding is needed to supplement existing funding for the construction of the 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V



Re-Bid Project as well as other projects as displayed in Table 2. Funding needs for these projects beyond this fiscal year will be included in the development of the 2025-2027 Proposed Biennial Capital Budget and 2026-2030 Capital Improvement Program.

Based on an analysis of funding requirements and allocation amounts, the appropriation's current budget is insufficient to support the Project and other priority projects, contingency amounts, and associated staff costs. This is due to a variety of reasons, including rapidly changing labor and material costs, variances between early Engineer's Estimates and bid award amounts, and increases in contingency needs. Many of these circumstances have been exacerbated by impacts to supply chains, originating during the COVID-19 pandemic, which are still having ripple effects today, as well as additional market circumstances and forecasts that have arisen in recent months. Due to these factors, along with the necessity to deliver high priority projects, contract awards have outpaced budgeted levels this year, requiring an adjustment to ensure available budgetary capacity to support the awarded contracts.

Table 2 is a summary of the funding needs in 2024-2025 for the Urgent Rehabilitation and Repair Projects appropriation and the available funding:

**TABLE 2**

<b>Project</b>	<b>Award Date</b>	<b>Total Project Cost</b>	<b>Remaining Project Costs in 2024-2025*</b>
10281 - Miscellaneous Sanitary Sewer Repairs FY 2023-2024 Package III	1/31/2025	\$1,737,000	\$1,362,000
10280 - Sanitary Sewer Repairs FY 2023-2024 Package III	2/25/2025	\$2,591,000	\$2,078,000
10092 - On-Call General Engineering Contract for Sewer Repairs 24-26	3/31/2025	\$1,666,000	\$1,110,000
10290 - Sanitary Sewer Repairs FY 2023-2024 Package V Re-Bid	4/29/2025	\$6,334,000	\$5,355,000
<b>Total Remaining Project Costs in 2024-2025</b>			\$9,905,000
<b>Current Budget</b>			\$5,000,000
<b>Additional Funding Needs in 2024-2025</b>			\$4,905,000

\*Remaining project costs in 2024-2025 consist of the encumbered contract amounts and the estimated project delivery costs through June 30, 2025. The funding needed to support remaining project delivery costs next fiscal year will be included in the 2025-2027 Proposed Biennial Capital Budget and 2026-2030 Capital Improvement Program.

**BUDGET REFERENCE**

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

Fund #	Appn. #	Appropriation Name	Current Total Appropriation	Rec. Budget Action	Amt. for Contract	2024-2025 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
545	4271	Urgent Rehabilitation and Repair Projects	\$5,000,000	\$4,905,000	\$4,750,370	209	6/18/2024, Ord. No. 31102
545	8999	Ending Fund Balance*	\$39,350,307	(\$4,905,000)	N/A	179	02/11/2025 Ord. No. 31176

\* Elsewhere on this agenda, actions recommended for the 10417 – Sanitary Sewer Repairs Fiscal Year 2024-2025 Package I Project and the 10421 - Sanitary Sewer Condition Assessment Fiscal Year 2024-2025 Package III Project that further decrease the Ending Fund Balance in the Sewer Service and Use Charge Fee Capital Improvement Fund. Together, these actions result in the Ending Fund Balance decreasing by \$12.0 million, from \$39.4 million to \$27.4 million.

**COORDINATION**

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

**PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the April 29, 2025 City Council meeting.

**COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

**CEQA**

Exempt, File No. ER23-189. CEQA Guidelines Sections 15301(b) Existing Facilities and 15302(c) Replacement or Reconstruction (**Attachment B** – Statement of Exemption ER23-189).

HONORABLE MAYOR AND CITY COUNCIL

April 7, 2025

**Subject: Actions Related to the 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Re-Bid Project**

Page 7

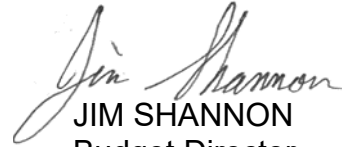
## **PUBLIC SUBSIDY REPORTING**

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/

MATT LOESCH

Director, Public Works

A handwritten signature in cursive script that reads "Jim Shannon".

JIM SHANNON

Budget Director

For questions, please contact Mathew Nguyen, Deputy Director of Public Works, at [mathew.nguyen@sanjoseca.gov](mailto:mathew.nguyen@sanjoseca.gov) or (408) 535-8300.

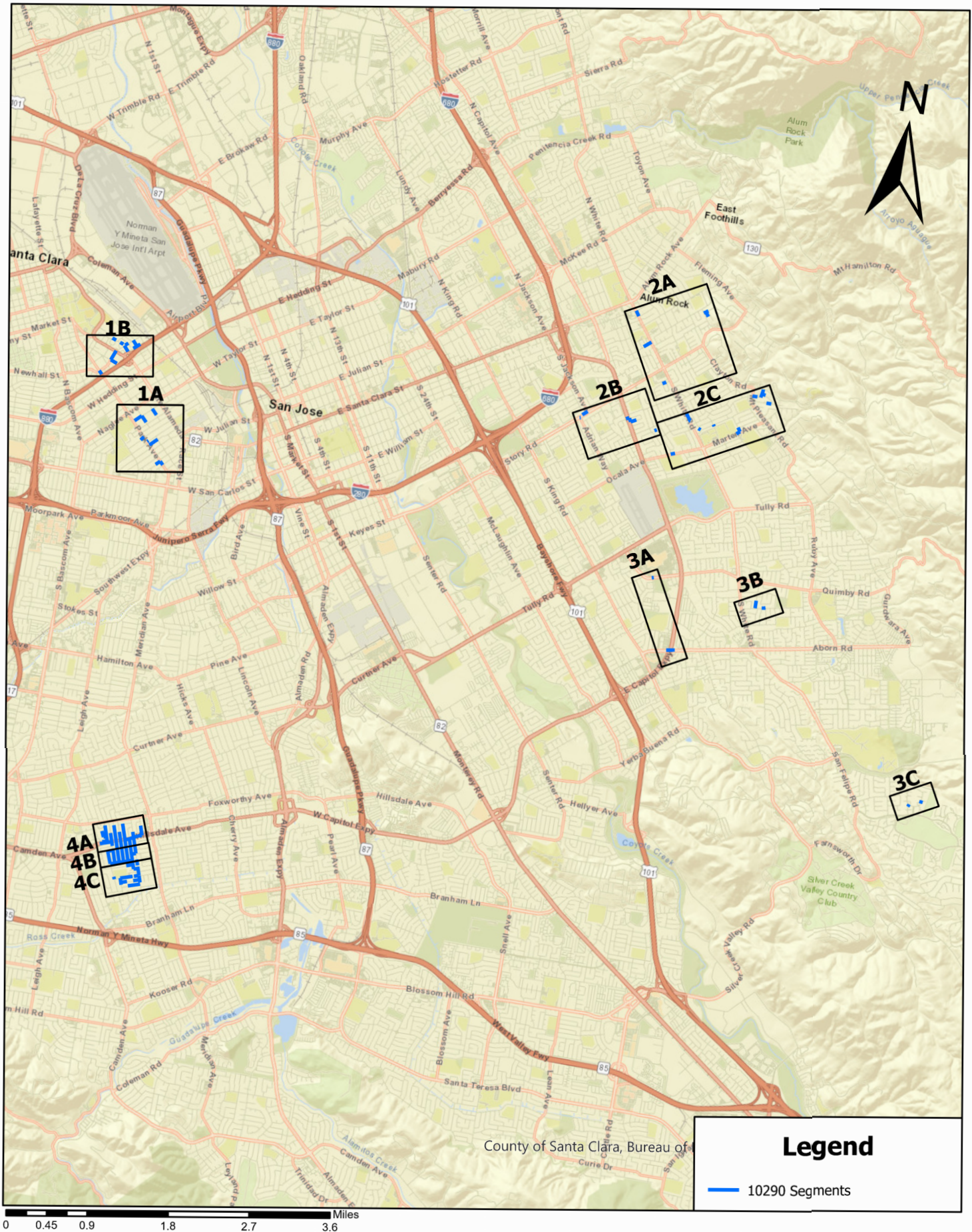
## **ATTACHMENTS:**

Attachment A – 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Re-bid Project Location Map

Attachment B – Statement of Exemption ER23-189



# Attachment A – 10290 – Sanitary Sewer Repairs Fiscal Year 2023-2024 Package V Location Map





# Attachment B - Statement of Exemption ER23-189



*Planning, Building and Code Enforcement*

CHRISTOPHER BURTON, DIRECTOR

## STATEMENT OF EXEMPTION

<b>FILE NO.</b>	ER23-189
<b>LOCATION OF PROPERTY</b>	Citywide
<b>PROJECT DESCRIPTION</b>	<p>Public Project Exemption for sewer inspection, removal and replacement, and rehabilitation work. These types of projects would include the inspection, replacement, and rehabilitation of existing sewer mains ranging from approximately 4- to 44-inch in diameter and associated facilities (e.g. manholes) located in the public-right-of-way and/or in a public utility easement (PUE) throughout the City of San Jose. These projects will evaluate the current condition of each segment of sewer pipeline to determine the appropriate repair method, and deploy pipeline point repairs, Cured-In-Place-Pipe (CIPP) liners, or removal and replacement of entire segments to eliminate exfiltration. These projects may also result in replacing the existing sewer pipeline with a different material than the original but will not increase the size of the sewer pipelines and will not result in expansion of capacity. New associated facilities, such as manholes, may be installed as part of the replacement work. This exemption is only valid for projects that are within the scope of work as described below. This exemption will not be valid for segments that have significant impact to scenic highways, historic resources, or located on a site that is included on any list compiled pursuant of Section 65962.5 of the Government Code.</p>

**Expiration date: August 21, 2028**

### CERTIFICATION

Under the provisions of Sections 15301(b) and 15302(c) of the State Guidelines for Implementation of the California Environmental Quality Act (CEQA) as stated below, this project is found to be exempt from the environmental review requirements of Title 21 of the San José Municipal Code, implementing the California Environmental Quality Act of 1970, as amended.

### 15301. EXISTING FACILITIES

Class 1 consists of operation, repair, maintenance, permitting, leasing, licensing, or minor alternation of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The types of "existing facilities" itemized below are not intended to be all-inclusive of the types of projects

which might fall within Class 1. The key consideration is whether the project involves negligible or no expansion of an existing use. Examples include but are not limited to:

- (b) Existing facilities of both investor and publicly owned utilities used to provide electric power, natural gas, sewerage, or other public utility services

## **15302. REPLACEMENT OR RECONSTRUCTION**

Class 2 consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced, including but not limited to:

- (c) Replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.

## **ANALYSIS**

Public Project Exemption for the inspection, removal and replacement, and rehabilitation of existing sewer segments ranging from approximately 4- to 44-inch diameter in size. This project will evaluate the current condition of each segment of sewer main to determine the appropriate repair method and deploy appropriate point repairs, Cured-In-Place-Pipe (CIPP) liners, or removal and replacement of entire segments to eliminate exfiltration. The purpose of this work is to upgrade and ensure efficiency and safety of the existing utility service system. If replacements are needed, the replacement will not increase the size of the sewer mains and will not result in expansion of capacity. Associated equipment, such as manholes, may need replacement as well.

All of the sewer main segments are located within the City boundary. Most are located within the right-of-way and/or a PUE. There are a few segments of sewer mains that are not within the public-right-of way and/or a PUE, within 100 feet of a water way, or within the wildlife survey areas or other fee zones as defined by the Santa Clara Valley Habitat Conservation Plan. Even so, the type of work proposed would qualify for a Habitat Conservation Plan exemption from all conditions as the proposed work is considered as, "Routine infrastructure maintenance by public agencies within the planning limit of urban growth that do not affect stream, riparian, serpentine, ponds, or wetland land cover types" (Habitat Conservation Plan, Chapter 6.2). In addition, the work taking place would be within existing disturbed areas and the project would not expand the capacity or length of the sewer main segments. Therefore, the project will not result in substantial adverse impact to sensitive biological resources and will not adversely affect creeks or riparian corridor areas.

In addition, as mentioned above, any tree that is not a Heritage tree that must be removed as a result of the project shall be removed and replaced in accordance with the Department of Transportation regulations. This exemption is only valid for projects that are within the scope of work described. This exemption will not be valid for any segments that have significant impacts to scenic highways, historical resources, or in areas that are included on any list compiled pursuant of Section 65962.5 of the Government Code.

As the project consists of inspection, removal and replacement, and repair of existing utilities facilities or structures, the project, will not involve expansion of the existing infrastructure. Therefore, the project is exempt to CEQA Guideline Section 15301(b) and 15302(c). Projects that are not within the scope of work will require separate environmental review and determination. This exemption is valid until August 21, 2028.

### *Exceptions:*

CEQA Guidelines Section 15300.2 provides exceptions to the use of a Categorical Exemptions where the use of a Categorical Exemption is prohibited under certain circumstances. The City evaluated the proposed project's applicability to all of the exceptions under Section 15300.2. An analysis of each of these exceptions in reference to this proposed project is provided below.

- (a) Location. Class 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located. Section 15300.2(a) stated that a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. Section 15300.2(a) does not apply to the Class Category 1 and 2 of exemptions as the project will not occur in a sensitive area.
- (b) Cumulative Impact. Based on the above analysis, there is no evidence of a potential significant cumulative impact on the environment from the proposed project. The project proposes review and rehabilitation of existing sewer mains throughout the city. It has been determined that the project will not cumulatively impact traffic, noise, air quality, or water quality.
- (c) Significant Effect. The proposed project site does not have any unusual circumstances that would negatively impact the environment, thus, the project would not result in any significant environmental effects.
- (d) Scenic Highways. It is not anticipated that the specific project sites will results in damage to any scenic resources. If one does, it is subject to 15300.2(d) and may not utilize this categorical exemption.
- (e) Hazardous Waste Sites. It is not anticipated that the specific project sites will be implemented in area that is included on any list compiled pursuant to Section 65962.5 of the Government Code. If one does, it is subject to 15300.2(e) and may not utilize this categorical exemption.
- (f) Historical Resources. It is not anticipated that the specific project sites will results in damage to any historic resources. If one does, it is subject to 15300.2(f) and may not utilize this categorical exemption.

Christopher Burton, Director  
Planning, Building and Code Enforcement



Date: August 23, 2023

Deputy

Environmental Project Manager:  
Tina Garg