



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: October 23, 2017

Approved

Date

11-2-17

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR 8687 – REPAIRS
OF WATER SERVICES AND MAINS: 2017**

RECOMMENDATION

1. Report on bids and award of contract for the 8687 - Repairs of Water Services and Mains: 2017 project to the lowest responsive bidder, San Jose Water Company, for the initial term of November 2017 through November 2020, in an amount not to exceed \$1,617,407.
2. Adopt a resolution authorizing the City Manager to exercise one option to extend the contract for an additional one-year term after the expiration of the initial term in an amount not to exceed \$539,136, and a second option to extend the term of the contract for an additional one-year term after the first option year in an amount not to exceed \$539,136, for a total maximum contract amount of \$2,695,678 if both option years are exercised.

OUTCOME

The award of the contract for the 8687 - Repairs of Water Services and Mains: 2017 project will enable the repair of existing water mains and services, which will provide a reliable source of water to San José Municipal Water System customers.

BACKGROUND

The San José Municipal Water System (Muni Water) is currently using the “Repairs and Installation of Water Mains and Services: 2013” contract to perform: 1) needed repairs on existing water infrastructure, such as repair of a water main break; and 2) the new installation of small services and appurtenances to the water system, such as the installation of a water service lateral or fire hydrant. The current contract, which provides that all repairs and new installations shall be made by one contractor for the duration of the contract, will expire in November 2017.

To accommodate work after expiration of the current contract, staff elected to separate the repair work from the installation work into two separate contracts. The work was separated into two different contracts to encourage bids from contractors who may not have the capacity and/or capability to accommodate both repair and new installation work.

The repair work under this contract consists of repairing water mains, service laterals, hydrants, and other existing infrastructure, which includes furnishing and repairing all pipes, valves, fittings, and other appurtenances as necessary to complete repairs. The contractor will be required to respond to emergency repairs (main breaks, etc.) within two hours and to effect permanent repairs within a designated time frame. The contract will be used on an as-needed basis, and the contractor will be paid based on the actual labor, equipment, and material costs of the work completed as calculated based on the bid unit prices, up to the maximum contract amount.

ANALYSIS

The Project was advertised for bid and a total of one (1) bid were received and opened on Thursday, September 14, 2017 with the following results:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance Over/(Under)</u>	
			<u>Amount</u>	<u>Percent</u>
Engineer's Estimate	--	\$1,552,507	--	--
San Jose Water Company	San José, CA	\$1,617,407	\$64,900	4.2%

Staff determined that the low bid submitted by San Jose Water Company contained an irregularity. The irregularity was set forth in line item #15 of the City's bid document entitled "Schedule of Quantities." Line item #15 was labeled "Emergency Repair Response Labor Mark-up for items #1 - #14." Items #1-#14 include line items for labor, such as foreperson and equipment operator.

With respect to line item #15 of the Schedule of Quantities, bidders were instructed to: (1) write down the percent markup in the unit/quantity column, which represented the percent mark-up value as bid by the consultant; and (2) then multiply the percent markup by \$450,000. The percent markup multiplied by \$450,000 total was then supposed to be shown in the bid unit

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price/total column, to provide an estimation of the labor mark-up to be paid based on an estimated labor cost of \$450,000; the actual amount to be paid for the labor mark-up under the contract will depend on the actual labor costs incurred by the contractor.

San Jose Water Company wrote down a 2% markup in the unit/quantity column. However, rather than multiplying the 2% times \$450,000 - which would have resulted in San Jose Water Company inserting \$9,000 in the unit/quantity column - San Jose Water Company multiplied 2% times the total dollar amount that they bid for line items #1-#14 (\$527,017) and inserted the resulting \$10,540.34 in the unit/quantity column.

Although San Jose Water Company's bid contains an irregularity created by an incorrect calculation, staff has determined that the irregularity is waivable under Section 2-1.06 of the City's Standard Specifications because San Jose Water Company's failure to use the \$450,000 figure does not impact the actual cost San Jose Water Company will charge the City to perform any actual emergency repair work. San Jose Water Company bid a 2% markup on the cost of labor and that is the markup the City will pay San Jose Water Company for actual work performed.

The contract is for an initial three-year term (2017-2020) with a maximum compensation of \$1,617,407. The first year (2017-2018) amount of \$539,136 is already included in the 2017-2018 Adopted Capital Budget. For the remaining two years of the original term, \$539,136 will be incorporated each year into the annual budget process for that year. At the end of the initial three-year term, the City will have the option of extending the contract for an additional one-year period and then a second option to extend the contract for an additional one-year period following the first extension. Each option year will be subject to the same terms and conditions of the initial term and subject to appropriation of funds, except that for each option year an adjustment can be made to the total contract compensation to add an amount not to exceed \$539,136 subject to available funding in approved Capital and Operating Budgets. Staff is requesting that the City Council adopt a resolution delegating authority to the City Manager to exercise each option. If the City elects to extend the term of the contract for either one or both option years, the term extension(s) and maximum compensation will be documented in a contract change order.

The three-year initial term will provide a definite period of service continuity to customers and a potential savings in administrative costs as compared to the administrative costs of annually soliciting and awarding a new contract. The potential option years will allow staff to consider the bidding climate, budget availability, and contract scope of services to determine whether to continue with the current contract and its terms, or to prepare a new contract for bid.

Staff recommends that the City Council award the contract to the low bidder, San Jose Water Company, whose bid has been reviewed, analyzed, and found acceptable. San Jose Water Company is a corporation organized under the laws of the State of New Jersey, and has the appropriate contractor's license as required in the Project Specifications.

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EVALUATION AND FOLLOW-UP

The project is currently within budget and on schedule. No additional follow-up actions with the City Council are expected at this time.

PUBLIC OUTREACH

To solicit contractors, this project was advertised in the *San José Post Record* and the complete bid package and project information was made available on *BidSync*. This memo will be posted to the City's website for the November 14, 2017 City Council meeting.

COORDINATION

This project has been coordinated with the Finance Department (Risk Management), the City Manager's Budget Office, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard at the November 9, 2017 Treatment Plant Advisory Committee (TPAC) meeting. A supplemental memo with the committee's recommendation will be included in an amended November 14, 2017 City Council meeting agenda.

FISCAL/POLICY ALIGNMENT

This recommendation meets the general principles of the 2017 Mayor's June Budge Message of providing essential public services while valuing financial sustainability and cost recovery.

COST SUMMARY/IMPLICATIONS

- | | |
|---|--------------------|
| 1. AMOUNT OF RECOMMENDATION: | \$1,617,407 |
| 2. COST ELEMENTS OF CONTRACT: | |
| Project Delivery | \$75,000 |
| Construction | <u>\$1,617,407</u> |
| TOTAL REMAINING PROJECT COSTS | \$1,692,407 |
| 3. SOURCE OF FUNDING: 500 – Water Utility Capital Fund | |
| 515 – Water Utility Fund | |
| 513 – San José-Santa Clara Treatment Plant Operating Fund | |

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4. **FISCAL IMPACT:** There are no cost implications to the General Fund as a result of this action.

BUDGET REFERENCE

The table below identifies the funds and appropriations proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn Name	Total Appn	Amt for Contract*	2017-2018 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
500	5876	System Maintenance/ Repairs	\$740,000	\$389,136	Capital – 356	06/20/17 Ord No. 29962
513	0762	Non-Personal/ Equipment	\$34,173,019	\$100,000	Operating – 1037	06/20/17 Ord No. 29962
515	0762	Non-Personal/ Equipment	\$32,952,516	\$50,000	Operating – 1053	06/20/17 Ord No. 29962

*The total contract amount is for \$1,617,407. However, \$539,136 will be funded from existing appropriations in the 2017-2018 Adopted Capital and Operating Budgets. The remainder of the contract will be anticipated in the development of the 2018-2019 and 2019-2020 Capital and Operating Budget processes, subject to the appropriation of funds.

CEQA

Exempt, File No. PP17-050, CEQA Guidelines Section 15301, Existing Facilities; Section 15302 Replace or Reconstruction.

/s/

KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Jeff Provenzano, Deputy Director, Environmental Services Department, at (408) 277-3288.