

COUNCIL AGENDA: 11/28/17  
FILE: 17-270  
ITEM: 2.7

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Barry Ng

**SUBJECT:** SEE BELOW

**DATE:** November 6, 2017

Approved

Date

11-16-17

**COUNCIL DISTRICT:** 3 & 4

**SUBJECT: FINAL RANKING AND AUTHORIZATION TO NEGOTIATE THE  
DESIGN-BUILD CONTRACT FOR THE FOURTH STREET 84-INCH  
INTERCEPTOR PHASE VI-A PROJECT**

## RECOMMENDATION

Adopt a resolution:

- a) Approving the final rankings of the design-build entity that responded to the Request for Proposals for the 4880 – Fourth Street 84-in Interceptor Phase VI-A Project (“Project”); and
- b) Authorizing the Director of Public Works to negotiate a Design-Build contract for the Project with Steve P. Rados, Inc.

## OUTCOME

Council acceptance of the final ranking and authorization to the City Manager to negotiate with Steve P. Rados, Inc., will allow the development of a design-build contract for the Fourth Street 84-inch Interceptor Phase VI-A and pavement resurfacing of Fourth Street between Hedding St. and Matrix Blvd (“Project”).

## BACKGROUND

The Project, formerly known as the 60-inch Brick Project, will complete Phase VI-A of the Fourth Major Interceptor program. The Fourth Major Interceptor Program was initiated in the 1980’s to ensure the City’s sanitary sewer interceptor system provided the capacity and redundancy for the growth anticipated in the City’s General Plan. The Fourth Major Interceptor Program is comprised of seven major phases with numerous sub-phases. To date, Phases I through V have been completed.

This Phase VI-A Project will upsize an existing 54-inch sewer interceptor with an 84-inch interceptor, in the same alignment. Upon completion of the Phase VI-A project the City will

have two parallel 84-inch interceptors beneath North Fourth Street (Commercial Street – Old Bayshore Road) and an existing 60-inch brick interceptor located in an easement that traverses through private properties parallel and to the east of North Fourth Street (see attached location map). The 60-inch brick interceptor will be available for by-pass flows in the event either of the parallel 84-inch interceptors are damaged or removed from service.

The Project will require tunneling under Interstate 880 and U.S. Highway 101, realigning and reconnecting existing interceptor pipes at Structure E<sup>1</sup>, and construction of several large sanitary sewer junction structures. Caltrans encroachment permits will be required in order to install the new interceptor beneath the two freeways. The Project includes the resurfacing and re-striping of Fourth Street between Hedding Street and Matrix Boulevard.

On June 2, 2009, Council approved an agreement with AECOM to provide design and construction management services for this Project. In 2010 and 2012, two amendments were issued to extend the term of the agreement to December 31, 2015, and increase the amount of compensation by \$226,363, for a total agreement amount not to exceed \$3,437,741.

AECOM submitted a draft Construction Impact Management Report (CIMP) and final cost estimate in addition to 100% design plans and specifications on November 15, 2013. The cost estimate at the time was \$32,850,000.00. Based on the estimate, this Project will require a minimum of two years to construct.

In July 2014, the City attempted to prequalify tunneling contractors to bid on the Project as required in Council Resolution No. 71816 to ensure contractors bidding on a complicated and large scale project like this would have the experience and technical expertise as well as being financially capable of completing the project. In August 2014, the City received one submittal which did not meet the minimum requirements set forth in the pre-qualification process. After further reviewing the design, discussing with other tunneling consultants in the area, and analyzing the risks associated with tunneling under the freeways, staff elected to deliver this project using the design-build method rather than the design-bid-build approach.

On December 15, 2015, the City Council adopted a Resolution approving the use of the design-build project delivery method for the Fourth Street 84-inch Interceptor Phase VI-A Project pursuant to Section 1217 of the City's Charter and Chapter 14.07 of the San José Municipal Code. The Design-build project delivery method allows the City to define the project based on available funds, select a contractor based on qualifications and price rather than low bid, as well as negotiate a contract structured around the project's priorities. The City has successfully used the design-build procurement method at the San José Norman Mineta International Airport Terminal Area Improvement Program (TAIP), San Jose McEnery Convention Center Expansion Project and the United States Patent and Trademark Office Project.

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<sup>1</sup> Structure E is an existing underground sanitary sewer diversion structure where sanitary sewer interceptors converge. This structure has multiple compartments and slide gates to allow isolation/closure of one or more interceptors.

## ANALYSIS

### Selection Process and Results

This Project follows a two-step “Best Value” Design-Build (DB) delivery approach. In step 1, a Request for Qualifications (RFQ) is issued. The most highly-qualified DB Entities advance to the next step. Step 2 commences with the issuance of a Request for Proposals (RFP) where technical proposals and price from the highest-qualified DB Entities will be reviewed and scored by City staff. The DB Entity with the “best value” package are selected for further negotiation and recommended for the award of this Project.

The RFQ for this Project was issued on November 9, 2016, with Statements of Qualifications (SOQs) due on January 3, 2017. The RFQ consisted of a pre-qualification questionnaire intended to address the minimum general requirements that should be met by design-build firms (acceptable safety record, licenses and registrations, financial statements, etc.) and a requirement to list key personnel including their project experiences. The RFQ also required that the design-build firm had completed a design-build project similar to the Fourth Street 84-inch Interceptor Phase VI-A Project.

The firms that submitted SOQs were:

- Steve P. Rados, Inc. (general contractor) supported by Stantec Consulting Services, Inc. (lead designer)
- Ranger Pipelines, Inc. (general contractor) supported by Mott MacDonald, LLC (lead designer)

The City received submittals from only two DB firms and staff believes this was due to the complexity of the project and the needs to provide financial responsibility. The City qualified both DB firms to participate in the RFP process. The result of the SOQ is as follows:

- Steve P. Rados, Inc. and Stantec Consulting Services, Inc. 88.67%
- Ranger Pipelines, Inc. and Mott MacDonald, LLC 75.17%

The scoring from the RFQ process was carried over and included in the evaluation of the RFP, which equated to 8.9% and 7.5%, respectively for each firm, over the maximum of 10% that each DB firm can receive for this category. However, on March 8, 2017, Ranger Pipelines, Inc. notified the City that they were withdrawing from the DB firm selection process. In their analysis, the score they received from the SOQ would have placed them behind their competitor, and continuing with the RFP process was not financially practical. The City’s analysis however showed that there was still substantial amount of available points to be gained by Ranger Pipelines in the RFP process. City staff met with Ranger Pipelines, Inc. but in the end, Ranger withdrew from the procurement process.

Following the completion of the RFQ process, the RFP was issued on February 8, 2017. Steve P. Rados, Inc. submitted a proposal which was received on April 14, 2017. The proposal was reviewed for its responsiveness and then evaluated in accordance with the point scale advertised in the RFP. The specific selection criteria against which the proposal was evaluated is summarized below:

<b>RFP Evaluation Criteria</b>	<b>Weight</b>
Project Management and Schedule	10%
Design, Permitting and Construction Approach	35%
Subcontractor and Workforce	10%
Local Business Preference	5%
Small Business Preference	5%
Price	15%
SOQ Score	10%
Interview	10%
Total	100%

Due to the complexity of this Project, Steve P. Rados, Inc. has teamed up with several experienced firms which include seasoned design engineers and project managers with vast experience in large diameter pipelines, highway crossings, and general underground civil infrastructure. Steve P. Rados, Inc. and its firms received an overall score of 80.18% in the RFP. The “Rados” DB team consists of the following firms:

<b>Firm</b>	<b>Scope</b>
Steve P. Rados, Inc.	Design-Build Contractor
Stantec Consulting Services, Inc.	Principal Design Engineering Firm
Vadnais Trenchless Services, Inc.	Trenchless/Tunneling Contractor
Circlepoint	Public Outreach Coordination

In total, the “Rados” DB team has installed more than 75,000 feet of large-diameter pipeline together over the last 15 years. With their experience, City staff is confident the “Rados” DB team can complete the design and construction of the City’s new 84-inch sanitary sewer interceptor.

#### Compliance with Local Preference Ordinance

The City’s Local Preference Ordinance for professional service contracts where price is not the determinative factor allows proposers to receive a five percent credit if they have a local office. Local business enterprises that also qualify as small business enterprises are given an additional credit equal to five percent. The Local Preference Ordinance applies to the RFP, because the Fourth Street 84-inch Interceptor Phase VI-A Project includes professional design services.

Steve P. Rados, Inc. is neither qualified as a local business enterprise nor a small business enterprise. Consequently, no points were given to them for these evaluation criteria.

#### Process Integrity

The RFQ and RFP were prepared in accordance with San José’s City Charter and Municipal Code. In addition, the RFQ and RFP processes followed the integrity guidelines set forth by the Procurement Manager of the Department of Public Works. All participants involved in preparing, reviewing, and scoring of the RFQ and RFP have signed conflict of interest statements.

The City employed a single point of contact to ensure communication was consistent with all proponents. In addition, a web-based procurement tool (Bidsync) was used to advertise, and provide clarification to questions. The RFP also included a provision for convening “individual commercially confidential meetings,” in which proposers participated, to elicit constructive comments and questions from proposers that would ultimately lead to properly focused and highly informative proposals.

### Funding Strategy

The Project was estimated to be \$32,850,000 in 2013 and has a budget of \$30,232,000 in the 2018-2022 Adopted 5-year Sanitary Sewer CIP. The initial proposal by the Rados team was \$46.0 million to complete the Project. Staff immediately coordinated with AECOM to revisit the Engineer’s Estimate for the Project and found that due to escalation and the recent surge of activity in the construction industry, the cost of this DB project is in the range of \$40.0 million to \$42.0 million. Staff further analyzed the Project and determined that postponing the Project will not guarantee that the cost will be lower as the construction cost in the San Francisco Bay Area has consistently escalated in previous years. In addition, due to a proposed Caltrans freeway interchange project at U.S. Highway 101/Zanker Road, the construction of this interceptor under the U.S. Highway 101 may not be feasible in the near future. Based on Caltrans’ preliminary freeway interchange design/alignment, the new sewer interceptor would be difficult to build with the current planned geometry of the future interchange.

During the formal negotiation process, staff plans to work with Rados to lower the cost of the project while securing additional funding to support the project. This will be accomplished by looking at cost saving opportunities and re-evaluating the current scope of work. In addition, staff will evaluate the funding availability and may request budget adjustments while minimizing impacts on other sanitary sewer programs.

### Contract Negotiation Process

A draft DB contract was included in the RFP. This form of agreement was developed by departmental staff and the City Attorney’s Office. Staff will negotiate the final terms of the agreement, along with the Design-Build Lump Sum Not-to-Exceed Price for the Project. It is anticipated that in or around December 2017, staff will return to the City Council to recommend: 1) approval of the contract; and 2) approval of a Design-Build Lump Sum Not-to-Exceed Price for the Project.

Contract provisions setting out the schedule for design development and sequencing of projects as well as the appropriate performance bonds, payment bonds, and projects insurance will be negotiated prior to December 2017. The Design-Build Lump Sum Not-to-Exceed Price will be used for the Project such that the City pays the DB Entity on a pre-defined (Schedule of Values) cost-reimbursable basis subject to a maximum limit.

If City Council approval occurs in or around December 2017, staff will then issue a Notice to Proceed to allow the DB Entity to start the Project.

### **EVALUATION AND FOLLOW-UP**

Upon City Council's approval of staff's recommendations, negotiations will commence with Steve P. Rados, Inc. to finalize the DB contract. The final DB contract and the final Design-Build Lump Sum Not-to-Exceed Price for this Project is expected to be brought back to the City Council for approval in or around December 2017.

### **PUBLIC OUTREACH**

The Request for Qualifications (RFQ) and Request for Proposal (RFP) were published in the San José Post Record and on BidSync. The complete bid package and project information for all Department of Public Works construction projects are available on BidSync for interested contractors, contractor organizations and builders' exchanges.

This memorandum will be posted on the City's website for the November 28, 2017, City Council agenda. If approved by the City Council, staff will continue to work with stakeholders to solicit input on the process.

### **COORDINATION**

Staff coordinated with the City Attorney's Office and Finance Department (Risk Management) in preparing the RFP. Staff also coordinated with various utility companies including the Pacific Gas & Electric (PG&E), San Jose Water Company, and Verizon, among others, to relocate their underground facilities to minimize potential conflicts with the new interceptor. In addition, coordination with the Department of Transportation's Pavement and Bike programs has been made to schedule their improvements accordingly. Staff also coordinated with Valley Transportation Agency (VTA) for the future U.S. Highway 101/Zanker Road interchange project. Caltrans has been informed that this Project will cross both U.S. Highway 101 and Interstate Highway 880. City's DB firm will take present their final plans and acquire a construction permit from Caltrans. This memo has also been coordinated with the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

### **COST SUMMARY/IMPLICATIONS**

Once the contract value is confirmed, staff will re-evaluate the funding strategy and may request budget adjustments at a future City Council meeting to ensure adequate funding will be available to support the project.

HONORABLE MAYOR AND CITY COUNCIL

November 6, 2017

**Subject: Design Build for the Fourth Street 84-inch Interceptor Phase VI-A Project**

Page 7

**CEQA**

On December 15, 2015, City Council adopted Resolution No. 77626 to approve the Mitigated Negative Declaration for this Project. Determination of Consistency with the Mitigated Negative Declaration for Sewer Interceptor Phase VIA Public Project (Resolution No. 77626), File No. PP10-160.

/s/

BARRY NG

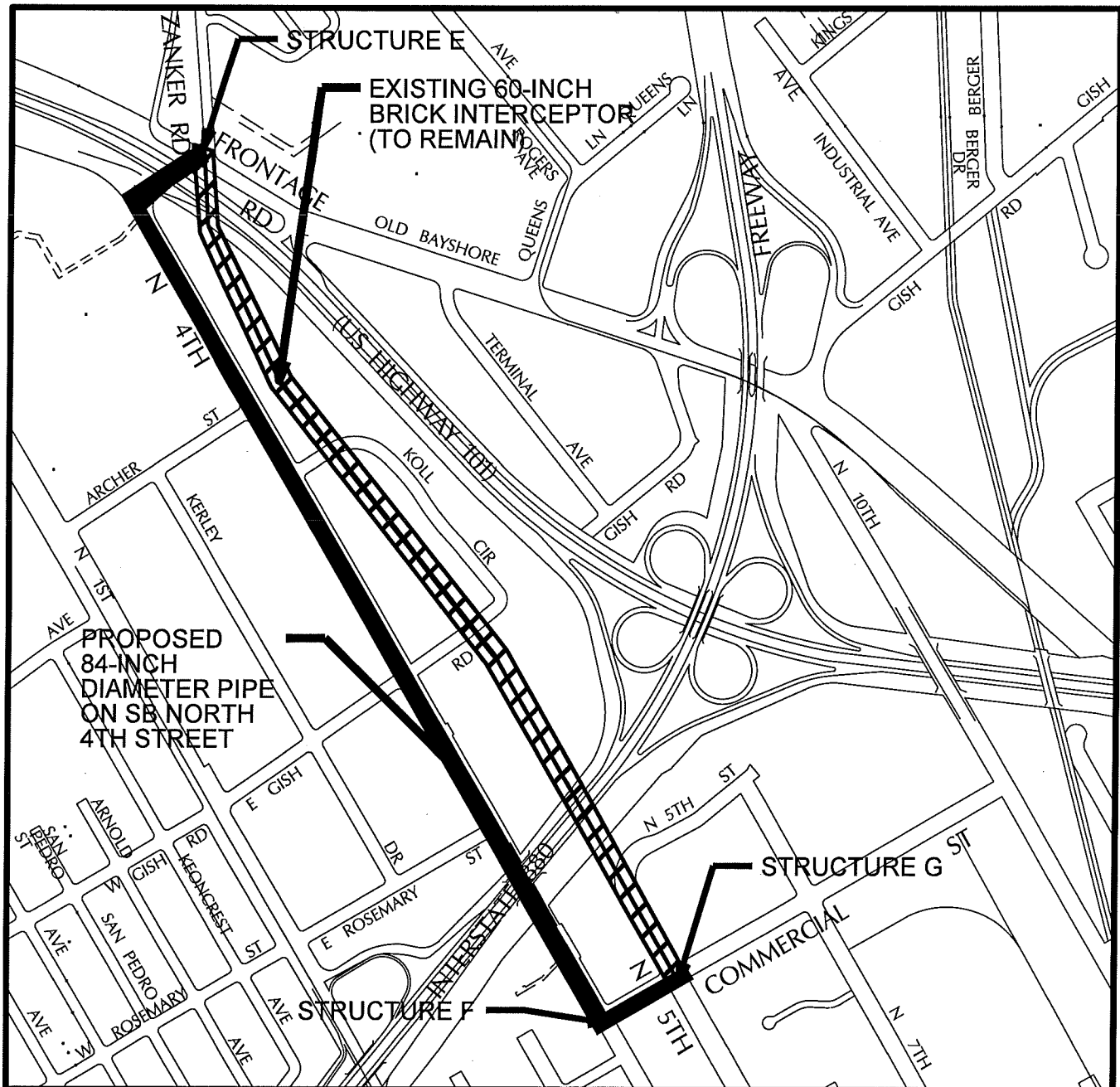
Director of Public Works

For questions, please contact Michael O'Connell, Deputy Director, Department of Public Works at 408-535-8300.

Attachment: Location Map

# Fourth Street 84-inch Interceptor Phase VI-A Project

CPMS ID # 4880



LOCATION MAP  
N.T.S.