



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim Ortbal

SUBJECT: 2018 STREET SEALING PROJECT

DATE: April 23, 2018

Approved

Date

5/4/18

RECOMMENDATION

- (a) Approve award of a construction contract for the 2018 Street Sealing Project to the low bidder, Pavement Coatings Co., in the amount of \$10,495,286.
- (b) Approve a 5% contingency in the amount of \$524,764.

OUTCOME

Approval of this contract will help maintain and preserve approximately 69 miles of streets on the Major Streets Network. Surface sealing the streets will improve appearance and extend their useful life in order to defer more costly resurfacing and rehabilitation. Approval of a 5% contingency will provide funding for any unanticipated work necessary for the proper construction and completion of the project.

BACKGROUND

The Department of Transportation (DOT) annually schedules streets to be surface sealed as a preventative maintenance measure to extend their useful life and reduce long-term maintenance costs to the City. The surface sealing application utilized by DOT for 2018 is a microsurfacing treatment. The process of surface sealing streets is typically performed in two separate stages. The first stage removes the structurally failed areas of pavement and replaces them with new asphalt concrete. Additionally, ADA ramps are installed and retrofitted in this stage. The second stage applies a new surface seal over the entire street.

The first stage of sealing work is underway as part of the 2018 Remove and Replace Asphalt Concrete Pavement Project (North) and 2018 Remove and Replace Asphalt Concrete Pavement Project (South), which were both awarded by Council on March 13, 2018. After the first stage of the work is completed, the second stage will apply the surface sealing treatment to these streets and install new markings and striping. This stage will be implemented through this 2018 Street Sealing Project, which is expected to begin in June.

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The 2018 Street Sealing Project is one of five pavement maintenance projects occurring on the Major Streets Network during the 2018 construction season. A description of the 2018 pavement maintenance projects was provided in an information memo to the Council on January 23, 2018.

Information provided by the City's pavement management database is used to identify candidate streets for preventive maintenance and sealing. The final list of streets to receive sealing was established using the following criteria:

- Funding availability and funding use restrictions
- Streets on the Major Streets Network
- Streets not affected by current or future street related projects
- Maintenance history and prescribed treatment schedules
- Streets associated with planned safety, bikeway or other "complete streets" projects
- Community and Council feedback regarding road conditions and priority street segments
- Relative location of street segments to create multiple, continuous segments, consistency within neighborhoods, and project efficiency
- Multi-year geographic equity across the City and street network

The attachment to this memo contains the list of streets to surface-sealed. The list may change if unforeseen circumstances arise or new information regarding other street-related projects becomes available.

ANALYSIS

Bids were opened on March 15, 2018, with the following results:

CONTRACTOR	CITY	BID AMOUNT	VARIANCE	% UNDER/OVER ENGINEER'S ESTIMATE
<i>ENGINEER'S ESTIMATE</i>	--	\$7,498,892	--	--
Pavement Coatings Co.	Woodland, CA	\$10,495,285.68	\$2,996,393.35	39.96%
Tefler Pavement Technologies, LLC.	Sacramento, CA	\$10,514,581.29	\$3,015,688.95	40.22%
Graham Contractors, INC	San Jose, CA	\$10,533,336.05	\$3,034,443.72	40.47%
VSS International, INC	West Sacramento, CA	\$11,035,630.78	\$3,536,738.45	47.16%
Intermountain Slurry Seal, INC.	Elk Grove, CA	\$11,771,856.89	\$4,272,964.55	56.98%

The low bid submitted by Pavement Coatings Co. is \$10,495,285.68 and is 39.96% over the Engineer's Estimate of \$7,498,892 for this project. The estimate is based on bids received from similar past projects and estimated construction prices.

The bids are higher than the engineer's estimate due to a larger than anticipated increase in materials and labor costs for the installation of roadway striping and markings, particularly the bike lane green pavement enhancement (GPE) treatments. Collectively, the roadway striping and markings bid items were 114% over the engineer's estimate, while bid items directly related to sealing the streets with new asphalt were 11% under the engineer's estimate. The primary reasons for the increased bids on those items are a high demand for striping services across the region with high expectations by contracting agencies for timely application of roadway striping, combined with a very limited supply of striping contractors. These conditions are reflected in all the project bids, as all five bidders used the same striping subcontractor and submitted similar bids for all striping line items.

Despite the higher than anticipated bids, staff recommends that the construction contract be awarded to lowest bidder, Pavement Coating Co., for the following reasons:

- DOT is actively pursuing alternatives to reduce the actual cost of the roadway striping related work by up to \$1 million, as described in more detail below.
- Given the current bidding environment – high demand for paving contractors, very low supply of striping contractors, and time of year when bids normally increase as contractors have already secured projects – it is improbable that rebidding the project in an attempt to receive more favorable bids would be successful.
- Rebidding the project as specified would also delay implementation of the project and likely require a portion of the streets to be placed on winter suspension for completion in spring 2019.
- All of the streets identified to receive a surface seal treatment through this project are due or past due for preventative maintenance based on the City's prescribed maintenance cycle. Delaying this treatment, either by deferring the project until the bidding environment improves or by reducing the number of streets to receive a surface seal, would cause further deterioration of the affected streets and potentially result in higher future maintenance or rehabilitation costs.
- The Pavement Maintenance Program has sufficient funding to deliver the project as specified and without impacting other planned projects due to higher than projected revenues in the Construction Excise Tax fund in FY 2017-2018.

As stated in the first item above, DOT is actively pursuing alternatives to reduce the actual cost of the roadway striping related work by up to \$1 million. Specifically, DOT is developing a plan that would utilize DOT's Roadway Striping and Markings Section to install a portion or all of the green bike lane pavement enhancements (GPE). DOT crews have reviewed the project specifications, identified the materials, equipment, and labor needed to perform this work, and developed unit cost estimates that are much lower than the bid prices received for the same work.

Additionally, DOT geometric engineers and planners are critically re-examining and value engineering many of the striping related elements of the project, particularly the GPE. Once completed, DOT will consider the various opportunities and options that arise from both of those efforts and determine the course of action that best meets the City's transportation goals and priorities in the most cost-effective manner.

Implementing one or a combination of options to reduce costs is possible because all of the striping related bid items were listed by DOT as revocable in the project specifications, and per City Standard Specifications, revocable quantities can be reduced entirely or partly at the discretion of the City. DOT will be prepared to describe and execute the determined strategy upon award of the contract, and any cost-savings will be re-appropriated to pavement maintenance for future use.

Council Policy provides for a standard contingency of 5% on projects involving street resurfacing and sealing, and the funding budgeted for this project is sufficient to provide for the contingency of \$524,764.

Construction is scheduled to begin in June 2018 and should be completed before the end of the 2018 construction season.

EVALUATION AND FOLLOW-UP

DOT provides an ongoing evaluation of the City's pavement conditions and provides periodic reports on this topic to the Transportation and Environment Committee and the City Council. No further City Council action is necessary.

POLICY ALTERNATIVES

Alternative # 1: Reject all bids and re-advertise the project for bid

Pros: New bids could be lower.

Cons: New bids could be equal or higher. Implementation of the project would be delayed, likely resulting in a portion of the streets not being sealed until 2019 due to winter suspension.

Reason for not recommending: The high demand and low supply of contractors providing striping, markings, and GPE materials and labor indicates that these economic conditions will not change in the short-term and bids are unlikely to come in lower. It is more likely that bids would come in higher given that paving projects which are bid later in the construction season typically receive higher bids. DOT is actively pursuing measures that would reduce the cost of the project and allow for completion in 2018. The Pavement Maintenance Program has sufficient funding to complete the project as specified and bid.

PUBLIC OUTREACH

The project was listed on BidSync (www.bidsync.com) and advertised in the San José Post Record. The complete bid package and project information for DOT construction projects are available on BidSync for interested contractors, contractor organization and builders' exchange. In addition, when the project commences, the contractor, as stated in the specifications, will provide advance notification regarding working hours, duration of project, and any appropriate schedule and lane closures to affected businesses and residents. To inform traveling motorists of upcoming construction activities and potential traffic delays, changeable message signs will be used stating the schedule dates and time for work to occur on the street. This memorandum will be posted on the City's Council Agenda website for the May 15, 2018 Council Meeting.

COORDINATION

This project, including specifications and bid documents, has been coordinated with the Department of Public Works and this memo has 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

This project supports the Transportation and Aviation Services City Service Area goal to *Preserve and Improve Transportation Assets and Facilities*.

COST SUMMARY/IMPLICATIONS

1. COST OF PROJECT:

Project Delivery	\$1,049,529
Construction Contract	\$10,495,286
Contingency	<u>\$524,764</u>
TOTAL PROJECT COSTS:	\$12,069,579

2. SOURCE OF FUNDING:

Funding for this project is included in the 2017-2018 Adopted Capital Budget in the Construction Excise Tax Fund (Fund 465) from Construction Excise Tax revenue, State Gas Tax revenue, and VTA Measure B Vehicle Registration Fees (VRF) revenue.

3. FISCAL IMPACT: This project will have no net operating and maintenance costs to the General Fund.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the recommended contract award, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn Name	Total Appn	Amt. for Contract	2017-2018 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
465	6123	Pavement Maintenance City	\$24,082,000	\$9,105,286	Pg. 1010	2/13/18, 30071
465	7440	Pavement Maintenance - VTA Measure B VRF	\$8,888,466	\$540,000	Pg. 1013	2/13/18, 30070
465	5216	Pavement Maintenance - State Gas Tax	\$4,759,821	\$850,000	Pg. 1011	10/17/17, 30014
Totals			\$44,932,287	\$10,495,286		

CEQA

Exempt, File No. PP14-069.

/s/
JIM ORTBAL
Director of Transportation

For questions please contact Rick Scott, Division Manager, at (408) 794-1925.

Attachment