



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: John Ristow

SUBJECT: 2019 MAJOR STREETS
SEALING PROJECT

DATE: April 29, 2019

Approved

Date

5/10/19

RECOMMENDATION

- (a) Award a construction contract for the 2019 Major Streets Sealing Project, to the low bidder, VSS International, Inc. in the amount of \$8,600,120.
- (b) Approve a three percent contingency in the amount of \$258,003.

OUTCOME

Award of this construction contract will authorize the Department of Transportation (DOT) to surface seal approximately 58 miles of streets on the Major Street Network. Approval of a 3% contingency will provide funding for unanticipated work necessary for the proper construction and completion of the project.

BACKGROUND

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. Surface sealing is a process by which streets in typically "Fair" or above condition (PCI 60 or above on a 100-point scale) are preventatively maintained to add up to 8 years of life to the street. This preventative maintenance process is five-times less costly than resurfacing a street and is an important component of a well-managed street maintenance program.

The product to be used for surface-sealing is called "microsurfacing", which is a thin layer of asphalt emulsion blended with rock approximately 3/8 an inch in depth. Surface sealing is typically performed in two separate phases: preparation and a final surface sealing application. The preparation phase requires the removal of structurally failed areas of pavement and replaces them with new asphalt concrete. The preparation phase also includes concrete work, Americans with Disability Act (ADA) curb ramps, and traffic signal detector repairs and upgrades. The preparation phase is underway as part of the 2019 Major Streets Concrete & ADA Ramps Project #1, 2019 Major Streets Concrete & ADA Ramps Project #2, and 2019 Major Streets Remove and

Replace Project which were awarded by Council earlier this year. The final phase which applies a new surface seal over the entire street is the subject of this memorandum.

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 is established using the following criteria:

- Funding availability and funding use restrictions
- Streets on the Major Street 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 City Council office feedback regarding roadway 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 contains the list of streets to be surface sealed. The list may change if unforeseen circumstances arise, if DOT decides to reduce the number of streets as discussed below, or if new information regarding other street-related projects becomes available. More information regarding 2019 Pavement Maintenance Program activities can be found in the informational memos distributed to City Council in December 2018 and March 2019.

ANALYSIS

Bids were opened on March 21, 2019 with the following results:

CONTRACTOR	CITY	BID AMOUNT	VARIANCE	% UNDER/OVER ENGINEER'S ESTIMATE
<i>ENGINEER'S ESTIMATE</i>	--	\$6,381,755.00	--	--
VSS International, Inc	West Sacramento, CA	\$8,600,120.00	\$2,218,345.00	34.76%
Graham Contractors, Inc.	San Jose, CA	\$8,643,650.00	\$2,261,875.00	35.44%

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CONTRACTOR	CITY	BID AMOUNT	VARIANCE	% UNDER/OVER ENGINEER'S ESTIMATE
Pavement Coatings Co.	Woodland, CA	\$8,830,425.00	\$2,448,650.00	38.37%
Intermountain Slurry Seal, Inc.	Elk Grove, CA	\$10,303,525.00	\$3,921,750.00	61.45%

The low bid submitted by VSS International, Inc is \$8,600,120 and is 34.76% above the Engineer's Estimate. The Engineer's Estimate for this project is \$6,381,755. 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 surface sealing and the installation of roadway striping and markings. Bid items directly related to sealing the streets with new asphalt were 56% over the engineer's estimate, while the roadway striping and markings bid items were collectively 34% over the engineer's estimate. In comparison, the low bidder's cost for the microsurfacing item on the sealing project bid last year was \$190 per ton, while the low bidder's cost on this year's project is \$344 per ton (81% increase).

The primary reason for the increased bid cost on sealing items is the higher material prices, including both asphalt and oil, and an update in the California Department of Industrial Relations (DIR) prevailing wage requirements for sealing laborers and machine operators which increased wages. The average prevailing wage for asphalt and slurry seal workers in Northern California determined by the DIR has increased 36% year over year from \$31.02 per hour in 2018 to \$42.17 per hour in 2019. Additionally, the Statewide Crude Oil Price Index has increased about 20% from 305.8 in January 2019 to 365.5 in April 2019; primarily due to the increased demand for road and highway materials. Furthermore, striping items continue to increase due to 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 four bidders submitted similar bids for all sealing and striping line items.

Despite the higher than anticipated bids, staff recommends that the construction contract be awarded to lowest bidder, VSS International, Inc. Rebidding the project would not likely result in lower bids for the following reasons:

- Increased prevailing wages for slurry seal workers will remain unchanged;
- Given the time of year and current industry conditions, crude oil prices are unlikely to decrease; and

- Given the current bidding environment – high demand for paving contractors, very low supply of striping contractors, and time of year when bids traditionally increase as contractors have already secured projects – receiving more favorable bids is highly unlikely.

Although DOT recommends awarding the contract, the high cost of the contract could delay DOT from moving forward with other pavement projects. Accordingly, staff is exploring some combination of the following options.

1. The striping related bid items are listed in the surface sealing contract as “revocable” in the project specifications. Per City Standard Specifications, revocable items can be reduced entirely or partly at the discretion of the City. DOT is exploring the idea of revoking all or some portion of the Green bike lane Pavement Enhancements (GPE) and bicycle markings and having the work done by DOT’s Roadway Striping and Markings Section.
2. Under the Standard Specifications, DOT can reduce a contract item of work by up to 25 percent without changing the quantity unit price. Using this provision, DOT is considering whether a limited mileage of street sealing can be deferred to next year’s program. Staff will provide an update to Council Offices if any projects are identified for deferral in their respective District.

Council Policy provides for a standard contingency of five percent on projects involving street resurfacing and sealing. Due to the predictable scope of work associated with surface-sealing, staff believes that a three percent contingency of \$258,003 will be adequate to address any unexpected issues.

Construction is scheduled to begin in July 2019 and should be completed by the end of the 2019 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.

PUBLIC OUTREACH

To solicit contractors, this project was listed on the City’s Internet Bid Line and advertised in the San Jose Post Record. Bid packages for this construction project were made available to download for contractor organizations and builders’ exchange on the City’s Internet Bid Line. 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 may be used on selected streets stating the scheduled date and time for work to occur on the street. This memorandum will be posted on the City's Council Agenda website for the May 21, 2019 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:

Programmatic Project Delivery Estimate	\$774,010
Construction Contract	\$8,600,120
Contingency	<u>\$258,003</u>
TOTAL PROJECT COSTS:	\$9,632,133

2. SOURCE OF FUNDING:

465 – Bicycle & Pedestrian Facilities	
309 – Pavement Maintenance – VTA Measure B VRF	
480 – Pavement Maintenance – State Gas Tax	

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	2018-2019 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
Source of New Funding						
465	4292	Bicycle & Pedestrian Facilities	\$2,534,000	\$293,851	V-818	02/12/2019, 30223
309	7440	Pavement Maintenance – VTA Measure B VRF	\$10,222,603	\$4,100,000	V-820	02/12/2019, 30223
480	5216	Pavement Maintenance – State Gas Tax	\$5,430,879	\$4,206,269	V-820	02/12/2019, 30223
Total Current Funding Available			\$18,187,482	\$8,600,120		

CEQA

Categorically Exempt, File No. PP18-029, CEQA Guidelines Section 15301(c), Existing Facilities

/s/
 JOHN RISTOW
 Director of Transportation

For questions please contact Frank Farshidi, DOT Division Manager, at (408) 794-1945.

ATTACHMENT

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List of Major Streets for 2019 Major Streets Sealing Project

STREET NAME	FROM	TO	COUNCIL DISTRICT
10TH ST	280	KEYES ST	3
11TH ST	280	HUMBOLDT ST E	3
1ST ST N	ROSEMARY ST	BROKAW RD	3
ADRIAN WY	OCALA AV	STORY RD	5
AUTUMN ST	SANTA CLARA ST W	ST JOHN ST W	3
BASCOM AV N	CAMDEN AV	SAMARITAN DR	9
BASKING RIDGE AV	TENNANT AV	DANNA CT	2
BRANHAM LN	SNELL AV	BATTLE DANCE DR	2,10
BRYAN AV	CHERRY AV	JARVIS AV	9
CAMDEN AV	HILLSDALE AV	DEL PASO AV	9
CAPITOL AV N	BERRYESSA RD	GREENGATE	4
CARLTON AV	UNION AV	130' W/WINTON WY	9
COLEMAN RD	ALMADEN EX	SANTA TERESA BL	10
DE ANZA BLVD (NB ONLY)	HWY 85	PROSPECT RD	1
EMPIRE ST	1ST ST N	N 22ND ST	3
FLINT AV	MARTEN AV	GULUZZO DR	8
HAWTHORNE WY	N SAN PEDRO ST	N 1ST ST	3
HILLSDALE	FOXWORTHY AV	VISTAPARK DR	6, 9, 7, 10
HUMBOLDT ST E	10TH	12TH ST S	3
KOCH LN	PLUMMER AVE	ALMADEN RD	9
LANDESS AV	680	PIEDMONT RD	4
LEIGH AV	SOUTHWEST EX	MOORPARK AV	6
LITTLE ORCHARD ST	CURTNER AV	BARNARD AV	7
LUCRETIA AV	STORY RD	PHELAN	7
LUNDY AV	TRADE ZONE BL	HOSTETTER RD	4
MERIDIAN AV	FRUITDALE AV	CURTNER AV	6
MONTGOMERY	JULIAN ST	ST JOHN ST	3
NEW JERSEY AV	DRY CREEK RD	CURTNER AV	9
NIEMAN BL	CIRELLI DR	YERBA BUENA	8
RYLAND ST	N SAN PEDRO ST	SANTA TERESA ST	3

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STREET NAME	FROM	TO	COUNCIL DISTRICT
SAN PEDRO ST N	RYLAND ST	TAYLOR ST	3
SAN ANTONIO ST	17TH ST	JACKSON AVE	3, 5
SAN TOMAS AQUINO RD	LATIMER AV	SARATOGA AV	1
SANTA CLARA ST	101 RAMP	101 RAMP	3, 5
SANTA TERESA ST	RYLAND ST	COLEMAN	3
SNELL AV	BRANHAM LN	85 OVERPASS N/S	2,10
SOUTHWEST EX	STOKES ST	MERIDIAN	6
ST JOHN ST	MONTGOMERY ST	AUTUMN ST	3
STEINBECK DR	ALLEN AV	SANTA TERESA BL	10
TRIMBLE RD W	CENTRAL EX	HY 101	4
WINCHESTER BL	WILLIAMS RD	PAYNE AV	1
PHELPS AVE	PAYNE AVE	WILLIAMS RD	1
WILLIAMS RD	MOORPARK AV	SARATOGA AVE	1