

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 12-04-06

Approved

Kay Wine

Date

12/4/06

SUBJECT: REPORT ON BIDS REJECTION OF THE BID FOR THE SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT, FY 2006-2007 CAPITAL IMPROVEMENT PROGRAM, 30-INCH GATE VALVES REPLACEMENT FOR PROCESS WATER PUMPS

RECOMMENDATION

Approval to reject the sole bid for the construction project entitled, "San José/Santa Clara Water Pollution Control Plant, FY 2006-2007 Capital Improvement Program, 30-inch Gate Valves Replacement for Process Water Pump."

OUTCOME

Council approval to reject the sole bid will allow the commencement of another round of bidding for the award of the construction contract in a more competitive bid market.

BACKGROUND

This project was intended to provide for the replacement of four, 30-inch gate valves and four, 30-inch diameter piping located in the San José/Santa Clara Water Pollution Control Plant's (Plant) Chlorine Building. This equipment is dedicated to the cooling of engines and equipment by redirecting treated effluent back to the operations areas. The valves allow for the shutdown and isolation of the associated pumps for routine maintenance and operations. These valves and associated piping have over thirty-five years of service and have experienced increased failure and maintenance costs as they exceed the expected lifetime.

ANALYSIS

Bids for the project were opened on October 12, 2006, with the following results:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance Over / (Under)</u>	
			<u>Engineer's Estimate</u>	<u>Amount</u> <u>Percent</u>
Monterey Mechanical Co.	Oakland	\$180,000		
Revised Engineer's Estimate		\$125,000	\$55,000	44%
Initial Engineer's Estimate		\$95,000	\$85,000	89%

Prior to bid opening, staff advertised the project and conducted outreach to prospective contractors. Once bids were opened, staff contacted several contractors that attended the mandatory pre-bid meeting, but did not subsequently submit a bid. The contractors indicated that in general, due to full work schedules, they did not have the resources available for additional work in the indicated timeframe. The project required that construction be completed by April 2007 to ensure that the equipment can function to support cooling of electrical engines at the Plant during the summer months.

The sole bid submitted by Monterey Mechanical Co. is 89% above the initial engineer's estimate. Staff has analyzed the bid and reassessed the engineer's estimate and determined that the initial engineer's estimate did not include selected items related to safety that are required to perform the work. Staff has prepared a revised estimate of \$125,000. At \$125,000, the contractor's bid is 44% above the engineer's revised bid. Staff is of the opinion that the disparity between the engineer's estimate and the sole bid is due to the short turn around time to complete this project. Staff recommends that Council reject the sole bid for this project and direct staff to re-advertise the project next year for construction to start in October. Staff will also conduct a more extensive outreach to prospective contractors for additional bids.

POLICY ALTERNATIVES

Alternative 1: Accept the bid.

Pros: Saves staff time from having to process another contract and prevents further delay of project.

Cons: Costs would significantly exceed estimate.

Reason for not recommending: Re-advertising the project at a future date, in a more competitive bidding market will most likely result in a more competitive bid.

PUBLIC OUTREACH

This action does not meet any of the criteria listed below. As a common practice, a Notice-to-Contractors inviting qualified firms to submit bids was published by the City Clerk's Office in the San José Post Record, and by the City's Project Manager on the ESD Internet website and Public Work's Bidline. This memo is also posted on the City's website for the January 9, 2007 Council Agenda.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

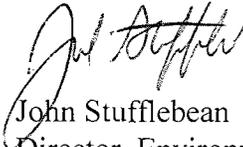
This project and memorandum have been coordinated with the Departments of Planning, Building and Code Enforcement, Public Works, the City Attorney's Office and the City Manager's Budget Office; and is scheduled to be heard on December 14, 2006 at the Treatment Plant Advisory Committee meeting.

COST SUMMARY/IMPLICATIONS

The project will be re-bid during fiscal year 2006-2007. Existing funds are available for this project. No additional appropriation action is required.

CEQA

Exempt; PP05 – 124.


John Stufflebean
Director, Environmental Services Department

For questions, please contact Ting Ong, Senior Engineer, at (408) 945-5132.