COUNCIL AGENDA: 05-13-08
ITEM: 2.4

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 04-21-08

Approved

Date 4/23/08

COUNCIL DISTRICT: City-Wide

SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT TO THE LOWEST RESPONSIVE BIDDER ANDERSON PACIFIC ENGINEERING CONSTRUCTION INC. FOR THE SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT, FY 2007/08 CIP, DAF PRESSURE RETENTION TANKS AND VALVES REPLACEMENT PROJECT – PHASE II.

RECOMMENDATION

Report on bids and award of construction contract for the Dissolved Air Flotation Pressure Retention Tanks and Valves Replacement – Phase II Project to the lowest responsive bidder, Anderson Pacific Engineering Construction, Inc., in the amount of $819,780, and approval of a 10% contingency in the amount of $82,000.

OUTCOME

Award of this construction contract will provide for the replacement of four existing Dissolved Air Flotation (DAF) pressure retention tanks with new stainless steel tanks and associated valves and instrumentation for automation and control of the Plant's sludge thickening process. Approval of a 10% contingency will provide funding for any unanticipated work necessary for the completion of the project.

BACKGROUND

DAF pressure retention tanks are the large 1,200-gallon pressure vessels used to facilitate sludge thickening in the process of treating wastewater. The Plant has a total of sixteen DAF pressure retention tanks, some originally constructed of carbon steel with PVC lining and others of fiberglass. These tanks were first installed in 1961 and 1970. Over the years, these tanks and associated valves and controls have aged, corroded, and leaked at a much faster rate than

anticipated. This in turn has placed a great burden on both the operations and maintenance staff to keep these tanks in service. The tanks have exceeded their life expectancy, which is normally around thirty years for such material. Additionally, the associated process and instrumentation equipment for operation and control of flows and air into the tanks are also antiquated and in need of upgrade and automation.

Since 2004, five of the original tanks and associated valves and control devices have been replaced. The new tanks are made of stainless steel. Under Phase II of this project, four additional tanks and associated valves and controls devices will be replaced. In addition, Phase II also included upgrading the existing control system to achieve optimum process operation. These four tanks are in need of immediate replacement due to the labor and costs associated with repairing and maintaining them. Accelerating the implementation of this project will not only reduce repair and maintenance costs, but also avoid the inflationary costs associated with waiting several years to implement the project.

ANALYSIS

The project was advertised for bid and a total of four bids were received and opened on March 27, 2008 with the following bid results:

Contractor	City	Bid Amount	Variance Over/(Under) Engineer's Estimate Amount	Percent
Pacific Infrastructure Corp.	Pleasanton	$1,019,000	$419,000	70%
Monterey Mechanical Co.	Oakland	$998,000	$398,000	66%
D.W. Nicholson Corp.	Hayward	$838,000	$238,000	40%
Anderson Pacific Engineering Construction, Inc.	Santa Clara	$819,780	$219,780	37%
Engineer's Estimate		**$600,000**		

Of the four bids received, Anderson Pacific Engineering Construction, Inc., is the lowest responsive bidder with a bid price of $819,780. This low bid is 37% above the Engineer's estimate. In reviewing the bid results and the Engineer's estimate, it was determined that the higher costs could be attributable to two major factors. The additional complexities associated with installing the added controls and wiring systems in this project proved to be more costly than anticipated. In addition, Staff believes that the higher than anticipated bid prices received is

reflective of current market conditions with work demand increases and shortages of qualified contractors.

While the bids came in significantly higher than the Engineer's Estimate, the fact that there was a minimal spread from highest to lowest bid is an indicator of the accuracy of the results Staff considers the low bid submitted for this project to be competitive while also reasonable for the work to be performed and recommends award of the contract to Anderson Pacific Engineering Construction, Inc.

The low bidder, Anderson Pacific Engineering Construction, Inc., has successfully completed various large construction projects at the Plant in the past including the Process and Electrical System Improvements/Primary and Disinfection Modifications project (also known as the Toxic Gas Ordinance Project) in 1994, the Headworks Redundancy Modification Phase IV project in 1997, the Fish Screen project, and the Chlorine Building project. Anderson Pacific is currently completing the East Primary Influent Channel Repair Project. Based on staff's experience with this contractor's performance, staff believes that Anderson Pacific possesses suitable and adequate resources, knowledge and technical capabilities to implement this project.

Council Policy provides for a standard contingency of 10% on public works projects involving utilities. Staff considers the standard contingency appropriate for this project.

EVALUATION AND FOLLOW-UP

This project is currently within budget with a projected completion date of January 2009. No additional follow up actions with the Council are expected at this time. Should additional changes to the project be required due to change orders executed beyond the appropriated contingency, Staff will bring forward those changes for approval by Council.

POLICY ALTERNATIVES

Alternative 1: Reject bid and drop the project.
Pros: Ability to fund other capital projects.
Cons: Decrease capacity of the sludge handling system due to increased frequency of shutdowns for repair and maintenance.
Reason for not recommending: Decrease in capacity affects reliability of the sludge handling system and continued equipment deterioration increases City costs to maintain the system.

Alternative 2: Reject bid and re-advertise the existing project.
Pros: May result in lower bids.
Cons: Will delay project construction. May not result in lower bids and may increase costs to City.
Reason for not recommending: Lower bid amounts are not guaranteed.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1**: Requires Council action on the use of public funds equal to $1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 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)**
- ☐ **Criterion 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)**

This action does not meet any of the criterion above, however, as a common practice, a Notice-to Contractors inviting qualified firms to submit bids was published by the City Clerk Office in the *San José Post Record,* and by the City's Project Manager on Environmental Services Department website and Public Works Department Bid Hotline. This memo has been posted on the City's website for the May 13, 2008 Council Agenda.

COORDINATION

This project and memorandum have been coordinated with the Office of Risk Management, Equality Assurance, City Manager's Budget Office, and the City Attorney's Office. As part of the "contracting-in" evaluation, this project was approved for outsourcing by the City's Contracting-In Committee due to the lack of technical skills required to implement this project within the City. This item is scheduled to be heard at the May 8, 2008 Treatment Plant Advisory Committee (TPAC) meeting.

FISCAL/POLICY ALIGNMENT

This project is consistent with the Council approved Budget Strategy to focus on rehabilitating aging Plant infrastructure, improve efficiency, and reduce operating costs. This project is also consistent with the budget strategy principle of focusing on protecting our vital core services.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: $901,780

Construction	$ 819,780
Contingency	82,000
TOTAL PROJECT COSTS	**$ 901,780**
Prior Year Expenditures	$0
REMAINING PROJECT COSTS	**$ 901,780**

2. COST ELEMENTS OF PROJECT

3. SOURCE OF FUNDING: 512 – San José-Santa Clara Treatment Plant Capital Fund. Existing funds are available for this project. No additional appropriation action is required.

4. FISCAL IMPACT: Existing funds are available for this project. No additional appropriation action is required.

BUDGET REFERENCE

Fund #	Appn #	Appn Name	RC #	Total Appn.	Amt. for Contract	Adopted CIP Budget Page	Last Budget Action (Date, Ord. No.)
Remaining Project Costs				**901,780**	901,780		
Current Funding Available							
512	5157	DAF Tank and Valves		650,000	650,000	V-147	2/12/2008, 28241
512	5690	Plant Infrastructure Improvements		12,690,000	251,780	V-160	10/16/2007, 28143
Total Current Funding Available				**13,340,000**			
Total Funding for Remaining Project Costs				**13,340,000**			

CEQA

CEQA: Exempt, PP07-141.

JOHN STUFFLEBEAN
Director, Environmental Services Department

For questions please contact Ting Ong, Senior Engineer, Technical Services Division, Environmental Services Department, at (408) 945-5132.