



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: 05-22-06

Approved

Date

5/22/06

COUNCIL DISTRICT: City-Wide

SUBJECT: AWARD OF CONTRACT FOR WATER VALVE REHABILITATION 2006 TO SAN JOSE WATER COMPANY AND ADOPTION OF APPROPRIATION ORDINANCE AMENDMENTS IN THE WATER UTILITY CAPITAL FUND

RECOMMENDATION

1. Award of contract for the Water Valve Rehabilitation Project to San Jose Water Company in the amount of \$339,684.60.
2. Adopt the following Appropriation Ordinance amendments in the Water Utility Capital Fund:
 - a. Increase the appropriation for the Water Valve Rehabilitation Project by \$130,000.
 - b. Decrease the Ending Fund Balance by \$130,000.

BACKGROUND

The City Municipal Water System has a maintenance program that exercises and checks the operation of all system valves on a five-year cycle. This program is recommended by the State Department of Health Services. The program was outsourced to a contractor in both 1995 and 2000.

On March 3, 2003, Council directed Municipal Water to negotiate with San Jose Water Company (SJWC) for this work, for the next scheduled cycle, with a goal of achieving a 10% cost savings over the existing outsourced contract price.

OUTCOME

The Water Valve Rehabilitation Project will provide necessary maintenance of water system valves, including collection of accurate valve location data using Global Positioning System (GPS) technology. The outcome of this is an efficient and reliable public water system.

ANALYSIS

In 2000, there were 4,791 system valves that required exercising. Several changes have occurred since then resulting in significantly more valves requiring exercise in this cycle. These changes include system expansion, the addition of fire hydrant isolation valve maintenance, and the South Bay Water Recycling valve maintenance. Today, there are 9,281 valves that require exercising.

The previous contractor exercised 4,791 valves at a cost of \$138,611.25 or \$28.93 per valve. Adjusting for inflation utilizing the Consumer Price Index results in a 2006 cost of \$34.67 per valve. SJWC has proposed to exercise 9,281 valves at a cost of \$289,660.01 or \$31.21 per valve, which adjusted for inflation represents a 10 percent cost savings.

In addition, Municipal Water is in the process of gathering GPS coordinates on all its facilities as part of an on-going infrastructure maintenance management improvement program. A significant cost savings can be achieved in the collection of the GPS data for the valve locations by having SJWC obtain the data as part of this project. SJWC has agreed to collect the data at an additional cost of \$50,024.59.

Municipal Water has prepared the contract to exercise all system valves and collect the valve coordinates simultaneously, at a cost to the City of \$339,684.60.

An appropriation adjustment in the amount of \$130,000 is necessary to provide sufficient funds to cover costs associated with the increase in scope. Performing the additional work at this time will result in long term cost savings to the water utility.

ALTERNATIVES

Staff considered obtaining valve locations using GPS technology, utilizing in-house staff and contracting out as a separate project. In both cases, staff determined that incorporating this work into the valve rehabilitation project would avoid additional public inconvenience and additional costs resulting from duplication of effort.

PUBLIC OUTREACH

Not applicable, not a bid project.

COORDINATION

This project has been coordinated with Risk Management, Equality Assurance, the City Manager's Budget Office, the City Attorney's Office, and SJWC. This item is scheduled to be heard at the June 8, 2006 meeting of the Treatment Plant Advisory Committee.

COST IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: \$339,684.60

2. COST OF PROJECT:

Project Delivery	\$115,000.00
Contract	339,684.60
Contingency	<u>35,000.00</u>
	\$489,684.60

TOTAL PROJECT COST

Prior Year Expenditures \$0

REMAINING PROJECT COSTS \$489,684.60

3. SOURCE OF FUNDING: 500 - Water Utility Capital Fund
513 - San Jose/Santa Clara Treatment Plant Operating Fund

FISCAL IMPACT: The estimated start date of valve rehabilitation/exercise work is July 2006. There are no cost implications to the General Fund as a result of this action. This recommendation meets the general principles of the Mayor's FY 2005-06 Budget Strategy of protecting vital City services.

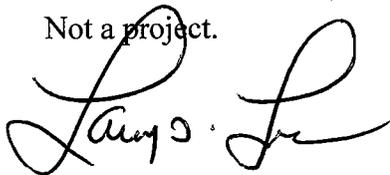
BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. For Contract	2005-2006 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs			\$489,684.60			
Current Funding Available						
500	5167	Water Valve Rehabilitation	\$250,000	\$202,145	V-289	
513	0762	Treatment Plant Operating Fund	\$29,450,295	\$7,539.60	2005-2006 Adopted Operating Budget, Page XI-68	02/14/06, Ord. 27665
Total Current Funding Available			\$260,000	\$209,684.60		
Additional Funding Recommended						
500	5167	Water Valve Rehabilitation	\$130,000	\$130,000		
Total Funding for Remaining Project Costs			\$390,000*	\$339,684.60		

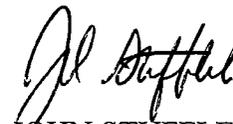
* Additional \$100,000 is included in the FY 2006-2007 proposed budget to provide funding for project delivery and contingency.

CEQA

Not a project.



LARRY D. LISENBEE
Director, Budget Office



JOHN STUFFLEBEAN
Director, Environmental Services Department

For questions, please contact Bob Wilson, Senior Engineer, at (408) 277-3288.