



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 08-02-06

Approved

Date

8/2/06

SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR THE SAN JOSÉ/SANTA CLARA WATER POLLUTION CONTROL PLANT, FY 2005/2006 COMPRESSED AIR UPGRADE PROJECT

RECOMMENDATION

Report on bids and award of contract for the construction project entitled, "San José/Santa Clara Water Pollution Control Plant, FY 1997/1998 Compressed Air Upgrade Project," to the low bidder, Air Perfection, Inc., in the amount of \$267,807; and approval of a contingency in the amount of \$27,000 for a total agreement amount not to exceed \$294,807.

OUTCOME

Award of this construction contract will ensure this project proceeds with sufficient funding and contingency in order to overhaul the San José/Santa Clara Water Pollution Control Plant's (Plant) obsolete compressed air system to one that is more efficient and reliable.

BACKGROUND

This project is intended to provide for the overhaul and upgrade of the Plant's compressed air supply and delivery system. This system provides compressed air for the operation of tools and critical treatment process controls and instrumentation. The Plant's current system has over twenty years of service and is becoming costly to maintain when compared to current technologies. This is best demonstrated by the electrical costs to create compressed air throughout the facility, increasing maintenance hours, and the decreased quality and reliability of the entire compressed air system. Industry standards, and technologies associated with compressed air delivery, have evolved over the years rendering the Plant's existing system obsolete. This project includes the design and installation of various components to improve the efficiency and quality of compressed air delivery to various sections of the Plant.

ANALYSIS

Bids were opened on June 8, 2006 for the project. The results of the bids are as follows:

<u>Contractor</u>	<u>City</u>	<u>Bid Amount</u>	<u>Variance Over / (Under)</u> City's Internal Estimate	
			<u>Amount</u>	<u>Percent</u>
Environmental Systems Inc.	Santa Clara	\$388,000.00	\$128,000	+49.2%
Air Perfection, Inc.	Dixon, CA	\$267,806.47	\$7,806.47	+3%
Engineer's Estimate		\$260,000.00		

Of the two bids received, Air Perfection, with a responsive bid of \$267,806.47 is the low bidder and is 3% above the City's estimate. Environmental Systems, with a bid of \$388,000, is 49.2% higher than the City's estimate.

Air Perfection, Inc. is a contractor specializing in the design and installation of state-of-the-art, energy efficient compressed air systems throughout California since 1989. They commonly collaborate with other specialized vendors, such as mechanical and electrical contractors, to complete modernization and retrofit projects on compressed air systems similar in scope to the project addressed in this report. Reference calls were made to customers previously serviced by Air Perfection, Inc., resulting in favorable comments concerning engineering, installation, service, and customer service expertise. Interactions on the part of the City's Project Manager with Air Perfection, Inc. up to this point have also indicated a high level of responsiveness.

POLICY ALTERNATIVES

Alternative #1: Utilize City Employees to Complete the Project

Pros: Potential savings of time and money by using in-house staff.

Cons: Lack of staff with the kind of specialized expertise necessary to design a compressed-air system upgrade.

Reason for not recommending: The lack of staff with the expertise in compressed air-systems design restricts the ability to complete this project with City staff.

Alternative #2: Defer the Project Indefinitely

Pros: Saves significant staff time from having to process lengthy contracts.

Cons: Continuously increasing maintenance and energy costs due to age of the current compressed-air system, coupled with the potential loss of process control reliability, is less than acceptable.

Reason for not recommending: The compressed-air system is so important to both the operations and maintenance groups in the treatment of wastewater, and the current system in great need of upgrade, such that the deferral of the project would only be more costly in the future with greater maintenance costs until such time.

PUBLIC OUTREACH

- 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)**

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's Office in the *San José Post Record*, and by the City's Project Manager on the Environmental Services Department website and Public Work's Bidline. This memo has also been posted on the City's website for the August 22, 2006 Council Agenda.

COORDINATION

This project and memorandum have been coordinated with the Departments of Planning, Building and Code Enforcement, Public Works of Equality Assurance, Risk Management, the City Attorney's Office and the City Manager's Budget Office and is scheduled to be heard at the August 10, 2006 Treatment Plant Advisory Committee meeting.

FISCAL/POLICY ALIGNMENT

This project is consistent with the Council approved Budget Strategy section in that it will help spur construction spending in our local economy as well as protect a vital core service.

COST SUMMARY/IMPLICATIONS

1. COST OF PROJECT

Project Delivery	\$44,434
Construction	223,373
Contingency	<u>27,000</u>
TOTAL PROJECT COSTS	\$294,807
Prior Year Expenditures	\$0
REMAINING PROJECT COSTS	\$294,807

2. COST ELEMENTS OF CONSTRUCTION CONTRACT

Design	\$32,526
Temporary compressed air plant	11,908
Equipment & Materials	119,414
Labor	<u>59,525</u>
TOTAL CONSTRUCTION CONTRACT	\$223,373

3. SOURCE OF FUNDING: 512 – San José-Santa Clara Treatment Plant Capital Fund.

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	2006-2007 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
512	4332	Equipment Replacement	038685	\$1,525,000	\$294,807	V-263	N/A

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CEQA

CEQA: Exempt, PP05-124



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For questions, please contact Dale Ihrke, Acting Deputy Director, at (408) 945-5198.