COUNCIL AGENDA: 04-21-09
ITEM: 2.8

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 03-30-09

Approved Deanna Santana Date 3/30/09

SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT TO THE LOW BIDDER, ANDERSON PACIFIC ENGINEERING CONSTRUCTION, INC. FOR THE SAN JOSÉ/SANTA CLARA WATER POLLUTION CONTROL PLANT, NEW CONSTRUCTION OF VARIOUS EQUIPMENT, FY 2008-2009.

RECOMMENDATION

A. Report on bids and award of one-year construction contract for New Construction of Various Equipment, to the low bidder, Anderson Pacific Engineering Construction, Inc., in an amount not to exceed $450,930. The contract includes an option to extend the contract for two additional one year terms in an amount not to exceed $500,000 per option term, for a total contract amount of up to $1,450,930, subject to appropriation; and

B. Adoption of a resolution authorizing the Director of Environmental Services to exercise the option to extend the term of the contract for two additional one year terms, subject to appropriation

OUTCOME

Approval of this contract will provide for the construction and replacement and repair of electrical and mechanical equipment, above-ground and underground pipes, fittings, pumps, valves, conduits, and utility vaults/boxes, etc., at the San José/Santa Water Pollution Control Plant on an as-needed basis.

BACKGROUND

The San José/Santa Clara Water Pollution Control Plant (Plant) has extensive infrastructure, which is comprised of: 1) a complex piping system which carries wastewater, chemicals, air,

natural gas and digested gas; and 2) equipment which includes engines, generators, valves, and pumps. Throughout any given year, it is often necessary to conduct emergency and scheduled installation, replacement, repairs, and modifications to the infrastructure. The majority of these projects have historically been completed as individual public works projects, depending upon the size, nature, and complexity of the work that needs to be done. These projects have been increasing because of the negative externalities associated with the Plant's aging infrastructure. The increasing frequency of these types of projects, coupled with the time demands placed on staff, to bid and process individual projects, has generated the need to consolidate these various projects into one annual contract to provide the construction services described above on an as-needed basis. The Environmental Services Department's Wastewater Management Division successfully maintained this type of contract in FY 2003-2004 and FY 2004-2005 with no complications.

The contract is an open time-and-materials contract. The work to be performed under this contract consists of furnishing all labor, tools, materials, and equipment and appurtenances, that are necessary to provide emergency and non-emergency construction, repairs, and modifications of infrastructure at the Plant.

ANALYSIS

In order to obtain competitive bids, the project specifications set forth the estimated quantities of specific labor, material and equipment that could be expected to be used for various construction projects at the Plant including replacing valves for the main raw sewage pumps. The estimated quantities are based on historical analysis of labor, material, and equipment costs for similar construction projects. Contractors were then asked to submit their unit costs for the specific labor, material and equipment. The estimated quantities were multiplied by the contractor's unit costs for the total bid price.

A total of four bids were received by the City on February 26, 2009.

Upon review of all bidding documents, City staff found errors in the bids submitted by Rodan Builders, Inc. and Valentine Corporation. The corrected bid totals by all bidders are as follows:

Contractor	City	Bid Amount	Variance Amount	Over/(Under) Percent
Monterey Mechanical Co.	Oakland	$551,265	$71,265	15%
Valentine Corporation	San Rafael	$500,429	$20,429	4%
Engineer's Estimate		**$480,000**		
Rodan Builders, Inc.	Belmont	$473,871	($6,128)	(1%)
Anderson Pacific Engineering Construction, Inc.	Santa Clara	$450,930	($29,070)	(6%)

Of the four bids received, Anderson Pacific Engineering Construction, Inc. is the low bid with a bid price of $450,930, which is 6 % below the Engineer's estimate. Staff finds that this difference is reasonable and acceptable for the following reasons:

- Current market conditions created by the limited number of public works projects out for bid.
- Possibly savings on construction overhead cost, as the contractor is currently engaged in other Capital Improvement Projects at the Plant site.

The low bidder, Anderson Pacific Engineering Construction Inc., has already demonstrated through its work on other Capital Improvement Projects at the Plant that it possesses suitable and adequate resources, knowledge, and technical capabilities to implement this project.

The term of this contract will begin on the date the contract is executed by the City and continue for a period of one year. The City has the right to extend the term of this contract for two (2) additional one-year periods, based upon the same conditions as the initial term, subject to adjustments for compensation. Compensation for each option term, if exercised, will not exceed $500,000.00 per option term, subject to appropriation of funds by the City Council.

EVALUATION AND FOLLOW-UP

No additional follow up actions with the Council are expected at this time.

POLICY ALTERNATIVES

Alternative 1: Bid as multi-individual construction projects
Pro: Possible cost savings by using in-house staff for projects under $100,000
Con: Time demands of staff to process and separately bid each project. In-house staff lack experience, resources, and time to perform the work.
Reason for not recommending: Time consuming to process each project. City staff also lacks the experience, resources, and time required to perform the work

Alternative 2: Reject all bids and re-bid the project.
Pro: May result in lower bids.
Con: Will delay installation and replacement of critical equipment already scheduled. May not result in lower bids and may increase costs to City.
Reason for not recommending: The lowest bid is 6% lower than the Engineer's estimate. Although the City has the option to reject all bids and re-bid the project, the City received bids that were responsive and staffs sees no reason why the contract should not be awarded to the lowest bidder. Rebidding the project does not guarantee a lower bid will be received and could result in bid protest from the contractors.

PUBLIC OUTREACH/INTEREST

- ☐ **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 criteria 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 both the Environmental Services Department website and the Public Works Department's Bid Hotline.

COORDINATION

This project has been coordinated with Offices of Equality Assurance and Risk Management, City Manager's Budget Office, and the City Attorney's Office, and is scheduled to be considered at the April 9, 2009 meeting of the Treatment Plant Advisory Committee.

FISCAL/POLICY ALIGNMENT

This project is consistent with the Council approved Budget Strategy to focus on rehabilitating aging Plant infrastructure and improving wastewater treatment efficiency. This project is also consistent with the budget strategy principle of focusing on protecting our vital core services.

COST IMPLICATIONS

1.	COST OF RECOMMENDATION:	**$450,930**
2.	COST OF PROJECT:	
	Construction:	$450,930
	Contingency	$0
	TOTAL PROJECT COST	**$450,930**
	Prior Year Expenditures	$0

REMAINING PROJECT COSTS **$450,930**

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

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

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amount for Contract	Adopted CIP Budget Page	Last Budget Action (Date, Ord. No.)
Remaining Project Costs					$450,930		
Current Funding Available							
512	5690	Plant Infrastructure Improvements	152705	$7,830,000	$450,930	V159	2/10/2009, Ord. No. 28492
Total Current Funding Available				$7,830,000			

CEQA

Exempt, PP08-202

JOHN STUFFLEBEAN
Director, Environmental Services

For questions, please call Jon Newby, Division Manager, Maintenance Mechanical Division, at (408) 945-5160.