



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean  
David Sykes

**SUBJECT:** SEE BELOW

**DATE:** 04-18-11

Approved

Date

4/25/11

**COUNCIL DISTRICT:** 8

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT TO PLATINUM PIPELINE, INC. FOR THE CASTLETON DRIVE MAIN REPLACEMENT PROJECT**

## RECOMMENDATION

Report on bids and award of contract for the Castleton Drive Main Replacement to the low bidder, Platinum Pipeline, Inc., in the amount of \$432,350 and approval of a fifteen percent (15%) budget contingency in the amount of \$64,853.

## OUTCOME

Approval of this contract will allow replacement of a water pipeline to improve water system reliability. Approval of a 15% contingency will provide funding for any unanticipated work necessary for the completion of the project.

## BACKGROUND

This project is part of the Municipal Water System's ongoing steel main replacement program. The existing steel pipe main which was constructed in the 1960's has a high frequency of water leaks. It is currently located in the park strip at Castleton Drive, Whittington Drive and Houghton Drive and has reached the end of its useful life. The new pipeline will be installed out of the park strip to protect the existing mature street trees located there.

The scope of work for this project includes installation of a new 8-inch diameter water main along these streets and abandonment of an existing corroded steel pipeline. It will construct approximately 2,945 feet of water main which will improve system reliability and provide a reliable source of water to 80 residences.

Construction is scheduled to begin in July 2011 with completion in December 2011.

**ANALYSIS**

The project was advertised for bid and a total of eleven bids were received and opened on March 10, 2011 with the following results:

<b><u>Contractor</u></b>	<b><u>City</u></b>	<b><u>Bid Amount</u></b>	<b>Variance</b>	
			<b><u>Over/(Under)</u></b>	<b><u>Amount Percent</u></b>
Granite Construction Co.	Watsonville, CA	\$911,790	\$ 271,790	42%
J & M Inc.	Livermore, CA	\$843,155	\$ 203,155	32%
<b>Engineer's Estimate</b>		<b>\$640,000</b>		
Northern Underground Construction	San José, CA	\$585,560	(\$ 54,440)	( 9%)
Legg, Inc.	Livermore, CA	\$579,662	(\$ 60,338)	( 9%)
KAT Construction	Sacramento, CA	\$536,645	(\$ 103,355)	(16%)
Pacific Underground Construction	San José, CA	\$505,975	(\$ 134,025)	(21%)
West Valley Construction	San José, CA	\$490,300	(\$ 149,700)	(23%)
Lewis & Tibbitts, Inc.	San José, CA	\$477,580	(\$ 162,420)	(25%)
Shaw Pipeline, Inc.	San Francisco, CA	\$459,600	(\$ 180,400)	(28%)
Platinum Pipeline, Inc.	Dublin, CA	\$432,350	(\$ 207,650)	(32%)

The bid documents submitted by the low bidder, Platinum Pipeline, Inc. were evaluated and found to be in order. The low bid submitted by Platinum Pipeline, Inc. in the amount of \$432,350 is 32% below the Engineer's Estimate. The average and median bid amounts are 9 percent and 18.5 percent below the Engineer's Estimate, respectively. Considering the current steep competition in the construction industry in the Bay Area, staff considers the bid proposal submitted by Platinum Pipeline, Inc. reasonable for the work involved.

Council Policy provides for a standard contingency of 10% on public works projects involving utilities. However, staff recommends a 15% contingency for this project. While staff has made efforts during the design phase to locate all existing underground utilities and structures by reviewing existing record drawings and performing site surveillance, experience on recent projects has shown that conflicts with existing utilities can occur. Due to the relatively low construction cost, 10% may not adequately cover the cost of unanticipated work. A 15% contingency is expected to provide enough funding to cover for any unanticipated tasks necessary for proper completion of this work, and can be accommodated within the existing budget for this project.

**EVALUATION AND FOLLOW-UP**

The project is currently within budget and on schedule with a projected completion date of December 2011. No additional follow up actions with the Council are expected at this time.

### **POLICY ALTERNATIVES**

**Alternative # 1:** Reject all bids and drop the project

**Pros:** Capital cost savings

**Cons:** Existing waterline will not be upgraded and frequency of water leaks will continue

**Reason for not recommending:** Going forward with the project, taking advantage of low construction costs due to the competitive bidding climate, will prevent increased maintenance costs.

### **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 item does not meet any of the above criteria. To solicit contractors, this project was advertised in the *San José Post Record*, as well as on the Public Works Bid Hotline. This memorandum is posted on the City's website for the May 10, 2011 City Council agenda.

### **COORDINATION**

This project and memorandum have been coordinated with Risk Management, Equality Assurance, Department of Planning, Building and Code Enforcement, the City Attorney's Office, and the City Manager's Budget Office.

### **FISCAL/POLICY ALIGNMENT**

There are no cost implications to the General Fund as a result of this action. This recommendation meets the general principles of the 2010-2011 Mayor's June Budget Message of providing essential public services while valuing financial sustainability and cost recovery.

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: **\$432,350**

2. COST OF PROJECT:

Construction	\$ 432,350
Project Delivery	\$ 97,797
Contingency	\$ 64,853
<b>Total Project Costs</b>	<b>\$ 595,000</b>

Prior Year Expenditures \$0

**Remaining Project Costs \$595,000**

3. SOURCE OF FUNDING: 500 – Water Utility Capital Fund

**BUDGET REFERENCE**

The table below identifies the funds and appropriations proposed to fund the contract recommended as part of this memo.

Fund #	Appn .#	Appn. Name	RC #	Total Appn.	Amt. For Contract	2010-2011 Adopted Capital Budget (Page)	Last Budget Action (Date, Ord. No.)
<b>Total Project Costs</b>					<b>\$432,350</b>		
<b>Current Funding Available</b>							
500	7102	Castleton Drive Main Replacement	159685	\$890,000	\$432,350	V-206	6/29/2010, Ord. No. 28765
<b>Total Current Funding Available</b>				<b>\$890,000</b>	<b>\$432,350</b>		

HONORABLE MAYOR AND CITY COUNCIL

04-18-11

**Subject: Award of Contract for Castleton Drive Main Replacement**

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**CEQA**

Exempt, File No. PP11-008

/s/  
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/s/  
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Director, Environmental Services

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