



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kerrie Romanow  
David Sykes

**SUBJECT:** SEE BELOW

**DATE:** January 23, 2012

Approved

Date

1/24/12

**SUBJECT: REPORT ON BIDS AND AWARD OF CONTRACT FOR INSTALLATION OF POTABLE AND NON-POTABLE WATER SERVICES AND MAINS: 2012-2013**

## RECOMMENDATION

Report on bids and award of contract for Installation of Potable and Non-Potable Water Services and Mains: 2012-2013 to the lowest responsive bidder, San Jose Water Company, for the estimated term of April 2012 through June 2013, in an amount not to exceed \$645,955.64.

CPMS Project ID#6910

## OUTCOME

The award of the Installation of Potable and Non-Potable Water Services and Mains: 2012-2013 project will enable the construction of new water services that will provide a reliable source of water to new and existing customers.

## BACKGROUND

The San Jose Municipal Water System (Muni Water) bids an annual contract for miscellaneous new water service installations for commercial, industrial and residential developments within the Muni Water and South Bay Water Recycling (SBWR) systems. This contract allows all new installations to be made by one contractor for the approximate one-year duration of the contract, which increases staff's efficiency and ability to respond to and meet customer needs, as compared to the increased time and administrative support that would be required to process a separate contract for each installation.

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The installation work consists of such items as installing water mains, service laterals, and furnishing and installing pipes, valves, fittings, and all appurtenances necessary to install service laterals and other minor improvements. The contractor who is awarded the contract is required to effect permanent installations within a 30 calendar day period from the date they are given a design drawing for a particular installation. Customers are charged for the installation of their service, including actual costs of construction, fees for new meters, and an engineering/inspection fee. Funds collected from customers are deposited back into the originating fund to achieve full cost recovery.

### **ANALYSIS**

The project was advertised for bid and a total of seven bids were received and opened on December 15, 2011, with the following results:

<b><u>Contractor</u></b>	<b><u>City</u></b>	<b><u>Bid Amount</u></b>	<b><u>Variance Over/(Under)</u></b>	
			<b><u>Amount</u></b>	<b><u>Percent</u></b>
McGuire & Hester	Oakland	\$743,483	\$83,483	12.6%
West Valley Construction	Campbell	\$686,460	\$26,460	4.0%
Pacific Underground Construction	San José	\$670,435	\$10,435	1.6%
J & M Inc.	Livermore	\$660,691	\$691	0.1%
<b>Engineer's Estimate</b>	--	\$660,000	--	--
San Jose Water Company	San José	\$645,956	(\$14,044)	-2.1%
Northern Underground Construction	San José	\$596,983	(\$63,017)	-9.5%

Section 2-1.06 of the City's Standard Specifications provides that proposals which are not submitted in strict compliance with the directions in the Notice to Contractors may be deemed non-responsive and rejected on that basis. The bid from Northern Underground Construction contained an incorrect calculation for the overhead and profit markup (Item 57 of the "Schedule of Quantities"), resulting from their incorrect factoring of the various components of the bid and use of a different methodology to arrive at a bid price on that item. Section 2-1.05 of the City's Standard Specifications allows the City to correct the calculation of the extended price for a bid item; however, under these circumstances the bid cannot be corrected as allowed for in that section. As a result, the bidder failed to provide a price on all bid items, and the bid from Northern Underground Construction is non-responsive and should be rejected in accordance with Standard Specifications Section 2-1.06.

Additionally, analysis of the bids revealed that the bids from McGuire & Hester, Pacific Underground Construction, and J&M Inc. did not comply with Project Specifications Section 2-1.13A, "Qualification of Bidders," in that they did not submit sufficient documentation of previous project experience with their bid. As a result, the bids from McGuire & Hester, Pacific Underground Construction, and J&M Inc. were deemed non-responsive.

Based on the above-mentioned four bids being considered non-responsive, West Valley Construction and San Jose Water Company are the remaining responsive bidders. Staff is recommending that Council award the contract to the lowest responsive bidder, San Jose Water

Company, whose bid has been reviewed, analyzed, and found acceptable.

### **EVALUATION AND FOLLOW-UP**

The project is currently within budget and on schedule with a projected completion date of June 2013. No additional follow up actions with the Council are expected at this time.

### **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 BidSync.

### **COORDINATION**

This project has been coordinated with Risk Management, the City Manager's Budget Office and the City Attorney's Office. This item is scheduled to be heard at the February 9, 2012, meeting of the Treatment Plant Advisory Committee (TPAC).

### **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 2011-2012 Mayor's June Budget Message of providing essential public services while valuing financial sustainability and cost recovery.

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: \$645,956\*
2. COST OF PROJECT:  
 Project Delivery \$90,000  
 Construction \$645,956  
 TOTAL/REMAINING PROJECT COSTS \$735,956
3. SOURCE OF FUNDING: 500 - Water Utility Capital Fund  
 512 - San José/Santa Clara Treatment Plant Capital Fund

\*Funds collected from customers are deposited back into the originating fund to achieve full cost recovery.

**BUDGET REFERENCE**

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

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. For Contract	2011-2012 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
Remaining Project Costs					<b>\$645,956</b>		
<b>Current Funding Available</b>							
500	5366	Infrastructure Improvements	030803	\$840,000	\$100,000	V-212	6/21/11, 28928
500	4348	Service Installations	017908	\$350,000	\$245,956	V-216	6/21/11, 28928
512	6589	Revised SBAP-SBWR Extension	062873	\$3,469,000	\$300,000	V-181	10/18/11, 28979
<b>Total Current Funding Available</b>				<b>\$3,819,000</b>	<b>\$645,956</b>		

**CEQA**

Exempt, File No. PP10-163.

/s/  
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/s/  
 KERRIE ROMANOW  
 Acting Director, Environmental Services

For questions please contact Jeff Provenzano, Senior Engineer, Environmental Services Department, at (408) 277-4218.