



# Santa Clara Valley Water District

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**File No.:** 18-1077

**Agenda Date:** 12/11/2018

**Item No.:** \*5.2

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Report of Bids Received and Award of Construction Contract to Calstate Construction, Inc. for the Construction of the Coyote Warehouse Project, Project No. 91234011, Contract No. C0635, Morgan Hill (District 1).

### **RECOMMENDATION:**

- A. Ratify Addenda Nos. 1 and 2 to the Contract Documents for the Coyote Warehouse Project;
- B. Waive minor irregularities in Calstate Construction, Inc.'s bid;
- C. Award the Construction Contract to Calstate Construction, Inc. in the sum of \$5,699,000; and
- D. Approve a contingency sum of \$569,900 and authorize the Chief Executive Officer or designee to approve individual change orders up to the designated amount.

### **SUMMARY:**

The objective of the Coyote Warehouse Project (Project) is to construct a suitable storage facility for parts and materials used in the maintenance and operation of the District's pipelines and pumping plants, such as sections of pipe, valves, gaskets, pumps, hoses, disinfection equipment, electrical supplies, and control systems supplies. Completion of the Project will support the District's ongoing operations to efficiently provide reliable drinking water to water retailers, businesses, and residents in Santa Clara County.

The Project scope of work includes: installing an approximately 21,600 square foot pre-engineered metal building warehouse to provide storage for various materials needed for maintaining District pipelines and pump stations; providing site grading, paving and utilities; and installing a bio-retention swale and screening landscaping.

Approval of staff's recommendation will allow the Project to proceed to construction.

### ***Project Background***

The Coyote Pumping Plant is located on U.S. Bureau of Reclamation (USBR) property in Morgan Hill. Pursuant to an Operations and Maintenance Agreement between the District and USBR, the District operates and maintains the Central Valley Project's San Felipe Division facilities, including the Coyote Pumping Plant.

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The District owns 8.2 acres of real property immediately adjacent to the Coyote Pumping Plant and uses the property to stockpile various materials needed for maintaining its pipelines and pump stations including long lead purchase items, excess rock and other construction-related materials.

For many years, some of the spare parts have been stored in numerous sea containers on District property as well as in the USBR facilities. The USBR facilities were not designed, nor intended to be used, as permanent storage facilities.

The objective of the Coyote Warehouse Project (Project) is to construct a suitable storage facility for the above-listed materials.

### ***Addenda Ratification***

Staff issued two (2) addenda during the bid period (Attachment 1) in response to potential bidders' requests for Bid Document clarifications and/or interpretations. To formally incorporate these addenda into the Contract Documents, staff recommends that the Board ratify Addenda Nos. 1 and 2.

### ***Waiver of Minor Irregularities in Calstate Construction, Inc.'s Bid***

Per the Notice to Bidders, paragraph 13, the District reserves its right to reject any and all bid proposals and to waive minor defects and irregularities in any submitted bid form(s).

Calstate Construction, Inc.'s Bid contains minor, immaterial errors. On the Proposal and Bid Items document, Bid Form No. 1, the Bidder did not provide a unit price for any of the Bid Items calling for unit prices. However, based on the total prices stated for each of these items, the unit price for each can be determined and added to determine Calstate's total bid price. Also, the signature blocks on five of eleven total Bid Forms did not include the printed name and title of the person signing the Forms. However, a review of the correctly executed Forms indicates the same person executed all of them despite his printed name missing on several forms.

These errors are not material. They do not affect Calstate Construction, Inc.'s ability to fulfill the contract, impact its price to perform the Project, or give the firm an unfair advantage in the competitive bidding process for the Project. Staff recommends that the Board waive these minor irregularities.

### ***Contract Award***

Table 1 summarizes the two (2) bid proposals received on November 28, 2018. One bid was deemed nonresponsive because it did not include all the required Bid Forms. The responsive bid proposal is \$5,699,000 which is about 16% above the Engineer's Estimate of \$4,909,600. The current bidding climate for public works appears to be favoring the contractors. Construction activity in the Bay Area continues to be very strong, resulting in general contractors and subcontractors being unavailable to take on new work and less aggressive with pricing. In addition, projects of this size (\$2.5M-\$10 M) are yielding little interest from the construction community. Large construction companies are less interested in bidding projects of this size, yet these projects may be difficult for small contractors to

handle successfully. These factors likely resulted in the low number of bidders and the responsive bid being higher than the Engineer's Estimate.

**Table 1 - Bid Opening Results**

Company / Location	Bid Amount	Award Amount
Calstate Construction, Inc., Fremont, CA	\$5,699,000	\$5,699,000
Diede Construction, Inc., Woodbridge, CA	Nonresponsive	
Engineer's Estimate: \$4,909,600		

Staff has reviewed the bid proposals and recommends that the contract for the Project be awarded to Calstate Construction, Inc. for the following reasons:

1. All bid entries and requirements in the proposal submitted by Calstate Construction, Inc. are either in order or can be waived as minor irregularities;
2. Calstate Construction, Inc.'s license is current, active, and in good standing;
3. Calstate Construction, Inc. is a CA Department of General Services certified Small Business Enterprise; and
4. Calstate Construction, Inc. is in compliance with the requirements of the California Labor Code §1771.1 because they and their subcontractors are registered with the California Department of Industrial Relations and qualified to perform public works pursuant to Section 1725.5 of the Labor Code.

### ***Construction Contingency Funds***

To allow staff to quickly address unforeseen or changed site conditions and other unanticipated occurrences without causing unnecessary delays or consequential costs to the Project, staff is requesting a total contingency amount of \$569,900, which amounts to 10% of the Contract award sum.

The contingency amount is estimated due to known and unknown risks, such as:

1. Site conditions that may differ from the as-built information used in the development of the construction Contract Documents.
2. Additional days of excusable inclement weather beyond what has been anticipated in the schedule.
3. Coordination issues with operations and maintenance activities at the Coyote Pumping Plant.

Approval of individual change orders will be made up to the designated amounts as follows:

1. Capital Engineering Manager: \$100,000
2. Deputy Operating Officer (Designated Engineer): \$250,000
3. CEO: up to the total amount of the contingency

### ***Outreach to Bidders***

The Notice to Bidders was sent to 1,116 certified Small Business Contractors that have the appropriate license. Twenty (20) SBE and Chambers of Commerce, and twenty-three (23) plan rooms (Builder Exchanges) and District's own web site were used to solicit interest in the Project work from prospective Contractors. Five hundred-seventy (570) contractors were contacted through the Building Construction & Trades Council, and 415 contractors were contacted using the District's own Master Contractor Database.

### ***Public Outreach***

On October 30, 2018, staff held an evening Open House at the Coyote Pumping Plant and presented information regarding the Project's construction. During construction, steps will be taken to minimize impacts associated with the Project, such as noise and construction traffic; these requirements and measures are incorporated in the Project Contract Documents.

### ***Previous Board Actions***

On June 23, 2015, the Board approved Agreement No. A3867A for Project design services with Siegfried Engineering, Inc., with a not-to-exceed fee of \$458,000.

On June 27, 2017, the Board conducted a public hearing on the Initial Study/Mitigated Negative Declaration (IS/MND) and the Engineer's Report for the Project; adopted Resolution 17-44 adopting the IS/MND and the Mitigation and Monitoring Report Program; adopted Resolution 17-45 approving the Engineer's Report; and approved the Project.

On August 22, 2017, the Board approved Amendment No. 1 to Agreement No. A3867A amending the Design Services Agreement for time adjustment and addition of Engineering Services during Construction to increase the previously approved not-to-exceed fee from \$458,000 to \$792,600.

On October 9, 2018, the Board adopted the Plans and Specifications and authorized advertisement for bids for Project construction.

### ***Next Steps***

If the Board approves the recommendations, staff will proceed with administering construction of the Project. Attachment 2 (Project Delivery Process Chart) highlights the current Project phase and the staff recommendations before the Board.

**FINANCIAL IMPACT:**

The total cost for the proposed construction contract, including the recommended construction contingency for the Project, is \$6,268,900. There are adequate funds in the Board-adopted FY2019 budget to encumber \$4,000,000, for the anticipated value of construction work that will be completed by the end of FY2019. Funds to cover the completion of construction in FY2020 will be requested through the FY2020 budget process. Due to the increase in the Construction Phase costs above what was initially anticipated when the Project budget was approved, the total Project cost for the Coyote Warehouse Capital Project will increase by approximately \$1,998,000 to \$9,646,000. This figure includes staff labor, consultant costs, and construction.

**CEQA:**

An Initial Study/Mitigated Negative Declaration (IS/MND) for the Coyote Warehouse Project was prepared in accordance with the California Environmental Quality Act (CEQA). On June 27, 2017, the Board adopted Resolution 17-44 to adopt the Project's Final Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program.

**ATTACHMENTS:**

Attachment 1: Addenda Nos. 1 and 2

Attachment 2: Project Delivery Process Chart

**UNCLASSIFIED MANAGER:**

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