

## Memorandum



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Loesch  
Kerrie Romanow

**SUBJECT:** SEE BELOW

**DATE:** May 30, 2023

Approved

Date

6/6/23

**COUNCIL DISTRICT: 7**

**SUBJECT: ACTIONS RELATED TO THE 9813 - SAN JOSE MUNICIPAL WATER  
NEW OFFICES PROJECT**

## **RECOMMENDATION**

- (a) Adopt a resolution adopting the Initial Study/Mitigated Negative Declaration for the San José Municipal Water New Offices Project, File No. ER22-114, and the related Mitigation Monitoring and Reporting Plan, in accordance with the California Environmental Quality Act.
- (b) Adopt a resolution authorizing the Director of Public Works to:
  - (1) Award and execute a contract for the construction of 9813 - San José Municipal Water New Offices Project to the lowest responsive, responsible bidder in an amount not to exceed \$38,214,500;
  - (2) Decide any timely bid protest(s) and make the City's final determination as to the lowest responsive bidder that is responsible as needed to award the contract; and
  - (3) Approve a contingency of up to 15% of the amount of the construction contract for the project.

## **SUMMARY AND OUTCOME**

The San José Municipal Water System (Muni Water) main offices and maintenance facility have had frequent and costly maintenance and operational issues and have reached the end of their useful life. The project includes the demolition of all existing buildings and facilities, and construction of a two-story office building, including an adjacent storage building, communication pad and tower, and parking lot.

Staff recommends approving the Initial Study/Mitigated Negative Declaration for the San José Municipal Water New Offices Project and authorizing the Director of Public Works to award and execute a construction contract while City Council is in recess.

Approval of the resolution authorizing the Director of Public Works to award and execute a construction contract in an amount not to exceed \$38,214,500 will cover a construction contract award of up to 15 % above the Engineer's Estimate and include two add alternates for the San José Municipal Water New Offices Project. A Director award will enable the contract to be executed while City Council is in recess and enable construction to start in fall of the current calendar year. A delayed construction start would extend the construction schedule beyond the lease expiration date of the Environmental Services Department's temporary facility. Approval of up to a 15 % contingency will provide funding for any unanticipated work necessary for the proper construction or completion of the project.

## **BACKGROUND**

Muni Water's main offices and maintenance facility are located at 3025 Tuers Road in San José. (See **Attachment** - San José Municipal Water New Offices Project). Operated by the Environmental Services Department, the existing facility is comprised of three buildings – a converted vehicle storage warehouse, a temporary mobile office trailer, and an administration building. The existing buildings have had frequent and costly maintenance and operational issues and have reached the end of their useful life.

In 2020, a preliminary study assessed the existing conditions of the buildings and site, and analyzed the opportunities and constraints of three mitigation options:

- 1) Purchase and renovate an existing vacant building at a new site.
- 2) Purchase land and construct a new building.
- 3) Demolish the existing building and construct a new building at the current site.

Option 3 was selected as it provides the lowest cost option to the project. In April 2021, the Public Works Department signed a service order with Studio G Architects Inc. for consulting services, which include the design of the new facility, preparation of construction documents, and construction support for the project.

The project base bid scope includes the demolition of the existing buildings, the parking lot, and communication tower, and the construction of a new two-story office building, an adjacent storage building, a new communication tower and pad, a new parking lot, and the installation of a new emergency generator. The two-story office building area will be 22,280 square feet and the storage building area will be 6,000 square feet. The new parking lot will accommodate 99 parking spaces for staff and the public and will consist of 77 standard stalls (including 35 electric vehicle capable parking stalls), four Americans with Disabilities Act parking stalls, 10 electric vehicle parking stalls, and eight clean air vehicle parking stalls. Additionally, the project scope

includes the following site amenities: conference and training rooms; a customer service and payment area; a water quality laboratory; a map room for utility plans and documents; a warehouse for equipment, materials, and parts; a welding shop for metalwork and fabrication needs; site security systems; and site fencing. The Engineer's Estimate for the base bid scope of work identified above is \$33,230,000.

In addition to the base bid scope of work there are two Bid Alternates items:

<u>Bid Alternate Descriptions</u>	<u>Engineer's Estimate</u>
1. Photovoltaic System	\$ 450,000
2. Battery Energy Storage System	\$2,145,000

Currently construction is scheduled to begin in September 2023 with a completion in March 2025.

## **ANALYSIS**

The City publicly advertised for bids on April 12, 2023. As a result of questions from bid package takers and with the intent to maintain a robust bidding pool of contractors, the City made minor changes to the project drawings and specifications during the advertising period, and extended the bid deadline to June 15, 2023. The delegation of authority to the Director of Public Works will allow the project to be awarded in July and continue moving forward into construction without delay. A delayed construction start would extend the construction schedule beyond the lease expiration date of Environmental Services Department's temporary facility.

## **Contingency**

San José Municipal Code Section 27.04.050 provides for a standard contingency of 10 % on all public works contracts except those involving the renovation of a building or buildings. However, on this project, a contingency of 15% is being recommended to account for unforeseen conditions that might arise in construction, including several unknowns with the respect to existing underground utilities onsite and the hazardous materials cost associated with the building demolition. The funds budgeted for this project are sufficient to provide for the recommended contingency.

## **Project Labor Agreement Applicability**

A project labor agreement is applicable to this project because the Engineer's Estimate is over \$1,200,000.

### **Local and Small Business Outreach**

Procurement staff used Biddingo to conduct outreach to local and small business enterprises. Chapter 4.12 of the San José Municipal Code defines a “local business enterprise” as one with a legitimate business presence in Santa Clara County and “small business enterprise” as a local business enterprise with 35 or fewer employees.

### **Climate Smart San José Analysis**

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals. The new facility will reduce energy consumption as well as provide amenities to encourage a reduction in the vehicle miles traveled by staff. The sustainability goals of the project are to meet Leadership in Energy and Environmental Design (LEED) Silver certification standards. The project includes on-site renewable electric generation via a rooftop solar electric photovoltaic system and the use of low e-glass material in construction. Electric vehicle spaces and charging will also be provided to meet California Green Building Standards. The project also includes stormwater management features, bicycle locker storage, and new employee locker rooms with showers.

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

No additional follow up action with City Council is expected at this time.

### **COST SUMMARY/IMPLICATIONS**

Elsewhere on the June 20, 2023 agenda, staff seeks City Council approval on several recommendations related to issuance of commercial paper notes to finance this capital project in the amount of \$40 million. This \$40 million in commercial paper notes is included in the total funding of \$48 million that has been allocated for this project; \$8.0 million was allocated in Fiscal Year 2021-2022 in anticipation of this project from available funds in the Water Utility Capital Fund. This project is currently in the Capital Improvement Program spread over four years. Approval of those recommendations will ensure the City has sufficient funding for this project. All related debt service and commercial paper fees will be paid by Fund 500, the Muni Water Utility Capital Fund, as incorporated in the 2023-2024 Proposed Capital Budget. The construction of this project included in this memorandum will not result in additional operation and maintenance costs to the City. Project specific costs recommended are reflected in the table below:

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT

Project Delivery*	\$7,100,000
Construction (Engineer's Estimate – Base Bid Only)	33,230,000
IT Equipment, Furniture and Public Art	2,832,300
Contingency	4,984,500
<b>TOTAL PROJECT COSTS</b>	<b>\$48,146,800</b>
Prior Years' Expenditures & Encumbrances	2,155,112
<b>TOTAL REMAINING PROJECT COSTS</b>	<b>\$45,991,688</b>

\*Project delivery includes estimates of \$2,809,732 for Design Services and \$4,290,268 for Construction Management and Inspection Services.

2. COST ELEMENTS OF CONSTRUCTION CONTRACT:

Administration Building	\$21,173,600
Storage Building	\$3,243,000
Sitework	\$8,813,400
<b>TOTAL BASE BID AMOUNT</b>	<b>\$33,230,000</b>
Bid Alternate No. 1	450,000
Bid Alternate No. 2	2,145,000
<b>TOTAL PROJECT COST</b>	<b>\$35,825,000</b>

**BUDGET REFERENCE**

The table below identifies the funds and appropriation to fund the contract recommended as part of this memorandum and the remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn. #	Appn. Name	Total Appn.	Estimated Amount For Contract	2023-2024 Proposed Capital Budget Page*	Last Budget Action (Date, Ord. No.)
500	A421C	Water Resources Administration & Operations Facility	\$ 35,941,504**	\$33,230,000	283	TBD

\*The 2023-2024 Proposed Capital Budget was released on April 26, 2023 and is scheduled to be reviewed on June 13, 2023, and adopted on June 20, 2023 by the City Council.

\*\* An additional \$5,069,600 has been requested to be rebudgeted and will increase the total appropriation amount in Fiscal Year 2023-2024 to \$41,011,104.

## **COORDINATION**

This memorandum has been coordinated with City Attorney's Office, the City Manager's Budget Office, and the Department of Planning, Building, and Code Enforcement.

## **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the June 20, 2023 City Council meeting.

## **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

## **CEQA**

File No. ER22-114 Initial Study/Mitigated Negative Declaration (Muni Water New Offices project).

## **PUBLIC SUBSIDY REPORTING**

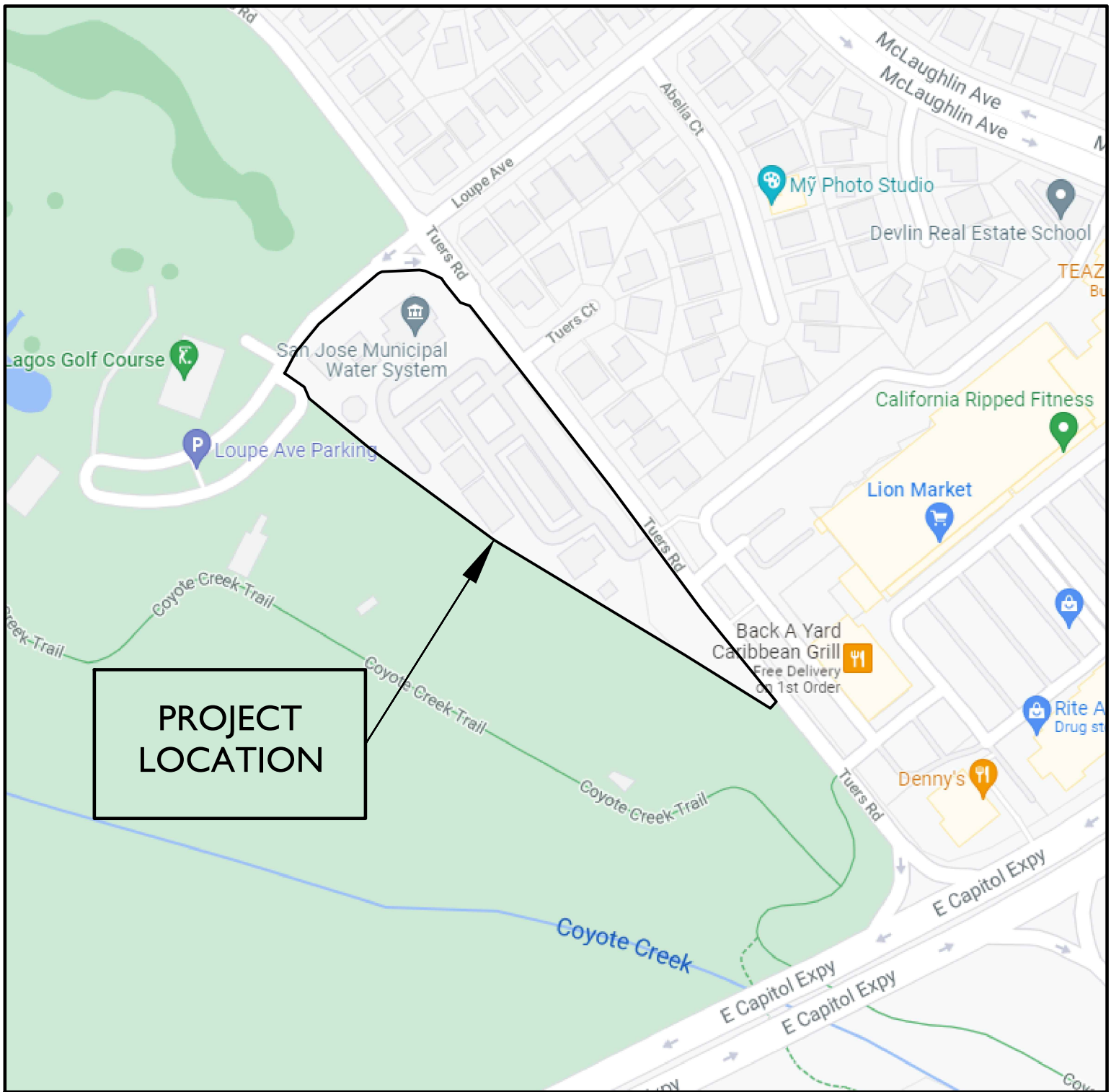
This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/  
MATT LOESCH  
Acting Director of Public Works

/s/  
KERRIE ROMANOW  
Director of Environmental Services

For questions, please contact Sal Kumar, Public Works Interim Deputy Director, at [sal.kumar@sanjoseca.gov](mailto:sal.kumar@sanjoseca.gov) or (408) 793-5307

**ATTACHMENT** - San José Municipal Water New Offices Project



## 9813 - San Jose Municipal Water New Offices

