

REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent
August 17, 2010

**Honorable Mayor and
Members of the City Council**

**Contract: American Recovery And Reinvestment Act (ARRA) Water Meter Retrofit
Project Phase 4 (Z14010022)**

Location/Council District: Residential and commercial properties in the City of
Sacramento/Council District 6.

Recommendation: Adopt a **Resolution** awarding the contract to complete the project
to Florez Paving for an amount not to exceed \$874,730.

Contact: David L. Brent, Engineering Manager, 808-1420; Dan Sherry, Supervising
Engineer 808-1419

Presenters: Not applicable

Department: Utilities

Division: Engineering Services

Organization No: 14001311

Description/Analysis

Issue: The Water Meter Retrofit Project, Phases 1-11, is being funded under a \$20 million grant/loan ARRA funding agreement administered by the California Department of Public Health (CDPH). The Project will retrofit approximately 15,000 to 17,000 residential and commercial water service connections within the City of Sacramento.

On September 22nd, 2009, the City Council awarded the contract for Phase 4 of the Water Meter Retrofit project, to retrofit 1,070 services with meters, to Advantage Demolition and Engineering (Advantage), for an amount not-to-exceed \$1,235,530. Pursuant to the contract, Advantage filed performance and payment bonds purportedly issued by the Merchants Bonding Company. On January 7, 2010, in response to an inquiry from City staff, the City was notified by Merchants Bonding Company that the bonds were not legitimate. Upon

receipt of this information, City staff directed Advantage to stop work on the project. Upon receipt of additional verification that the bonds were not legitimate, City staff notified Advantage on January 15, 2010, that the contract was terminated due to the filing of fraudulent bonds. Approximately 14 % of the work had been completed when work was stopped on the project.

On May 28, 2010, the Department of Public Health authorized the City to rebid the remainder of the Phase 4 work for ARRA reimbursement under the funding agreement.

Bids were opened on July 21, 2010, for the rebid of the remainder of the Phase 4 scope of work, retrofitting 849 services with meters, and Florez Paving was the lowest responsible bidder. City staff recommends that the City Council award the contract to the lowest responsible bidder, Florez Paving. Staff will verify the validity of the contractor's bonds and insurance prior to the commencement of any work.

Additional background information may be found in Attachment 1. The location map may be found in Attachment 2.

Policy Considerations: This action is in conformance with City Code Chapter 3.60 Articles I and III, which provide that the City Council may award competitively bid contracts to the lowest responsible bidder. The prior contract with Advantage was terminated pursuant to contract provisions providing that a contractor's failure to furnish valid bonds is cause for termination of the contract.

Environmental Considerations:

California Environmental Quality Act (CEQA): The Development Services Department, Environmental Planning Services Division, reviewed the Water Meter Retrofit Project and determined that the Project is categorically exempt from CEQA under Class 1, Section number 15301(b) and (c) and Class 3, Section number 15303(d) of the CEQA Guidelines. Projects exempt under Class 1, Section number 15301(b) and (c) consist of minor alteration or repair of existing utility facilities and sidewalks. Projects exempt under Class 3, Section number 15303(d) consist of installation and location of new, small utility facilities. Notices of Exemption were filed on June 10, 2009 and June 29, 2009, following the City Council's May 26, 2009 approval to proceed with the Project by filing the application for ARRA funding, and the Council's June 23, 2009 approval of the Project plans and specifications for Phases 1-9.

Sustainability Considerations: The project is consistent with the Sustainability Master Plan goal to help to improve water conservation awareness, by providing a monthly statement of water usage to the customers. The Meter Retrofit furthers the City's progress in implementing the Water Forum Agreement and the California Urban Water Conservation

Council Best Management Practices (BMPs 1, 4, and 7).

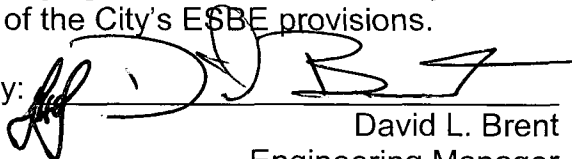
Rationale for Recommendation: Award of this contract will continue the City's implementation of the meter retrofit plan developed by the Department of Utilities based on the implementation guidelines approved by City Council. This contract (Phase 4) will install 849 meters on unmetered residential and commercial water services within the project area. Utilization of ARRA funding for this purpose is expected to create approximately 400 to 900 jobs over the course of the Project (Phases 1 through 11).

Financial Considerations: The total estimated Phase 4 project cost including design, construction, City supplied materials, inspection and contingency is \$1,228,815. There are sufficient funds in Z14010022 to award this contract.

The ARRA funding agreement was approved by City Council on August 6, 2009 (Resolution 2009-516). The resolution provides funds for the Water Meter Retrofit Project (Z14010000) in the amount of \$20 million, of which \$10 million is a Safe Drinking Water State Revolving Fund (SDWSRF) loan and \$10 million, will be provided as additional subsidization in the form of principal forgiveness (the grant portion). Water user rate revenues in the Water Enterprise Fund (6005) have been dedicated as the funding source for the debt service, with a 20-year repayment period at a 2.5017 percent interest rate. Rate revenues will also be used for any non-grant/loan covered expenses incurred as part of the Project.

Disadvantage Business Enterprise/Minority Business Enterprise/Women Business Enterprise (DBE/MBE/WBE): The bid submitted by Florez Paving complied with the DBE/MBE/WBE requirements set forth in the bid specifications pursuant to applicable provisions of the ARRA/SDWSRF funding agreement. Under the City Code, these DBE/MBE/WBE requirements apply in lieu of the City's ESBE provisions.

Respectfully Submitted by:


David L. Brent
Engineering Manager

Approved by:


Marty Hanneman
Director of Utilities

Recommendation Approved:

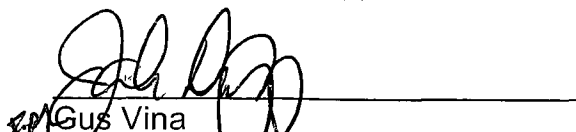

Gus Vina
Interim City Manager

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Attachment 1**BACKGROUND**

On August 6, 2009, City Council authorized the City Manager to negotiate and execute a Funding Agreement with the California Department of Public Health (CDPH) for the American Recovery And Reinvestment Act (ARRA) funded Water Meter Retrofit Project, Phases 1-9. The Council approved the addition of additional Project Phases, and approved the plans and specifications for these additional Phases, on September 15th (Phase 10) and September 22nd (Phase 11).

The Water Meter Retrofit Project submitted for ARRA funding consists of one project divided into multiple phases. The project will install new water meters and Automatic Meter Reading (AMR) transmitters on 15,000 - 17,000 existing residential and commercial water services. This project will help the City comply with the requirement of Assembly Bill 2572, which requires the City to install water meters on all existing water service connections within the City of Sacramento. This law set a deadline of 100% metering of all residential and commercial accounts by 2025.

Project Z14010022 is Phase 4 and will install 849 meters on unmetered residential and commercial services within the project area in Council District 6 (see Attachment 2). Advantage Demolition & Engineering (Advantage) previously installed 221 meters as part of Phase 4, prior to the City's termination of the Advantage contract due to the contractor's submittal of fraudulent bonds.

All retrofit projects are coordinated with public outreach to customers and stake holders.

This project was advertised on June 30, 2010 and seven (7) bids were received and opened by the City Clerk on July 21, 2010. The bids are summarized below:

| Contractor | Bid Amount |
|-----------------------------------|-------------------|
| Florez Paving | \$847,730 |
| Frank Medina Gen Eng. Contractors | \$891,425 |
| Marques Pipeline, Inc. | \$935,625 |
| Newland Entities, Inc. | \$972,803.60 |
| Flowline Contractors, Inc. | \$992,202 |
| Navajo Pipelines, Inc. | \$1,022,535 |
| Arrow Construction | \$1,158,780 |

The engineer's estimate was \$ 990,756.

On September 22, 2009, the City Council awarded the initial contract for Phase 4 of the Water Meter Retrofit project to Advantage for an amount not-to-exceed \$1,235,530. Pursuant to the contract, Advantage filed performance and payment bonds purportedly issued by the Merchants Bonding Company. The bid bond provided by Advantage with

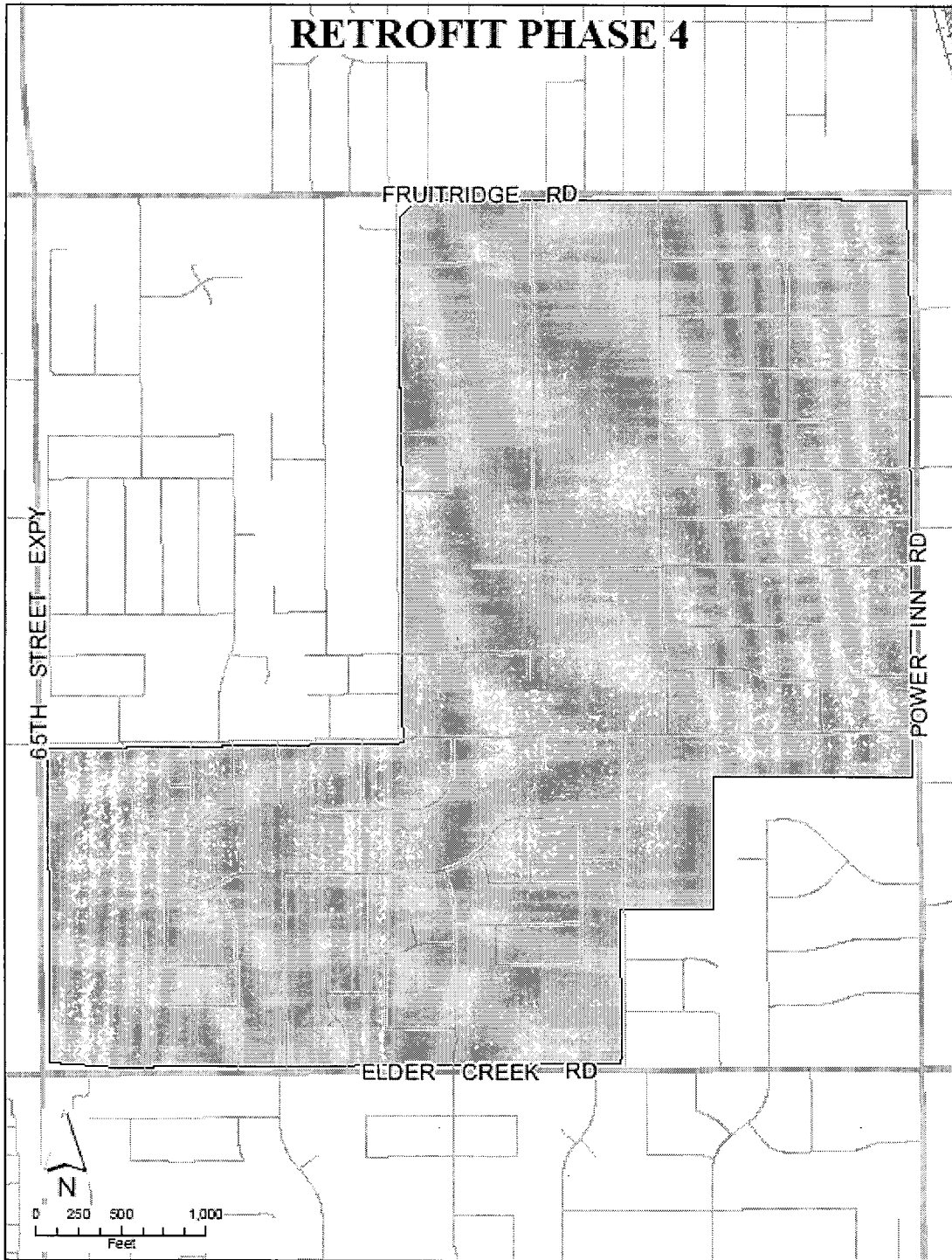
its bid also was purportedly issued by the Merchants Bonding Company.

On January 7, 2010, in response to an inquiry from City staff, the City was notified by Merchants Bonding Company that the bonds filed by Advantage were not legitimate. Upon receipt of this information, City staff directed Advantage to stop work on the project. Upon receipt of additional verification that the bonds were not legitimate, City staff subsequently notified Advantage that the contract was terminated due to the filing of fraudulent bonds.

On May 28, 2010, the Department of Public Health authorized the City to rebid the remainder of the Phase 4 work for ARRA reimbursement under the funding agreement.

City staff recommends that the City Council award the rebid of the remainder of this contract to the lowest responsible bidder, Florez Paving, for the amount not to exceed \$874,730.

Attachment 2



Attachment 3

RESOLUTION NO.

Adopted by the Sacramento City Council

AWARD CONTRACT FOR THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) WATER METER RETROFIT PROJECT PHASE 4 (Z14010022)

BACKGROUND

- A. On August 6, 2009, the City Council approved Resolution 2009-516 authorizing the execution of a \$20 million grant/loan funding agreement for the Water Meter Retrofit (WMR) Project (Phases 1-9), utilizing American Recovery and Reinvestment Act (ARRA) funding provided through the Safe Drinking Water State Revolving Fund (SDWSRF) Program administered by the California Department of Public Health. The City Council approved the addition of additional Phases to the Project on September 15th (Phase 10) and September 22nd (Phase 11).
- B. The WMR Project will retrofit water services with meters at a total of 15,000 - 17,000 residential and commercial properties.
- C. The plans and specifications for Phase 4 of the Project were approved by the City Council on June 23, 2009.
- D. On September 22, 2009, the City Council adopted Resolution No. 2009-601, awarding the contract for Phase 4 of the WMR project to Advantage Demolition and Engineering for an amount not-to-exceed \$1,235,530, to install 1,070 meters on unmetered services.
- E. Pursuant to the contract, Advantage Demolition and Engineering filed with the City performance and payment bonds purportedly issued by the Merchants Bonding Company. On January 7, 2010, in response to an inquiry from City staff, the City was notified by Merchants Bonding Company that the bonds filed by Advantage Demolition and Engineering were not legitimate. Upon receipt of this information, City staff directed Advantage Demolition and Engineering to stop work on the project. Upon receipt of additional verification that the bonds were not legitimate, the City terminated the Advantage Demolition and Engineering contract due to the filing of fraudulent bonds.
- F. On May 28, 2010, the Department of Public Health authorized the City to rebid the remainder of the Phase 4 work for ARRA reimbursement under the funding

agreement.

- G. Bids for the remainder of the Phase 4 project were opened on July 21, 2010, and Florez Paving was the lowest responsible bidder.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The contract for the remainder of the SDWSRF ARRA Water Meter Retrofit Project Phase 4 is awarded to Florez Paving, for an amount not to exceed \$874,730.