



DATE: September 10, 2019

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Approving Addendum Nos. 1 and 2 and Award a Construction Contract to Con-Quest Contractors, Inc. for the Recycled Water Customer Onsite Conversions Project, Project No. 07507

RECOMMENDATION

That Council adopts a resolution (Attachment II) approving Addendum Nos. 1 and 2 and awarding a contract to Con-Quest Contractors, Inc. to construct the recycled water customer onsite conversions, in an amount not to exceed \$1,826,600.

SUMMARY

The City's Recycled Water Project consists of constructing a treatment facility, storage tank, and pump station at the City's Water Pollution Control Facility (WPCF) and installing distribution pipelines and customer connections to deliver recycled water to customers for irrigation and industrial uses. The project is being constructed under multiple contracts. On July 16, 2019, Council approved the plans and specifications for Recycled Water Customer Onsite Conversions and called for bids to be received by August 20, 2019. Only one bid was received from Con-Quest Contractors, Inc. Staff is requesting Council approval to award the construction contract to Con-Quest Contractors, Inc., in an amount not to exceed \$1,826,600, which includes the bid of \$1,739,600 and an \$87,000 administrative change order contingency for unforeseen changes during construction.

BACKGROUND

The City is implementing the Recycled Water Project, which will provide a locally sustainable and drought-proof supply of recycled water to customers for irrigation and industrial uses. The Recycled Water Project consists of constructing a treatment facility, storage tank, and pump station at the City's Water Pollution Control Facility (WPCF) and installing nine miles of distribution pipelines and customer connections to deliver recycled water to customers for irrigation and industrial uses. The City-owned recycled water treatment facility was added to the project in December 2017, after the City was unable to make progress with Russell City Energy Corporation, LLC (RCEC) in finalizing an agreement for the City to obtain recycled water from RCEC's Recycled Water Facility, located adjacent to the WPCF.

Construction of the City's Recycled Water Project is well underway and recycled water deliveries are anticipated to begin in spring 2020. The initial phase (Phase 1) of the project is anticipated to deliver an estimated 290 acre-feet per year, or about 260,000 gallons per day (gpd), of disinfected tertiary treated recycled water for thirty-one customer sites within a three-mile radius of the WPCF. The Phase I customer sites include four parks, six schools, one college, nineteen private businesses, and City street landscaping. Once the initial infrastructure is constructed, there may be opportunities to expand the system and include more customers in future phases.

The Recycled Water Project is being constructed under multiple contracts. The final contract for the Recycled Water Project involves construction of irrigation system retrofits necessary to convert customer sites from the City's potable drinking water system to the new recycled water system. On March 20, 2017, the City entered into an Agreement with HydroScience Engineers, Inc., to provide engineering, design, and construction support services for customer onsite retrofit conversions. On July 16, 2019, Council approved the plans and specifications for the construction of the customer onsite retrofit conversions. The staff report can be accessed on the City's website¹ for additional background and discussion on the Recycled Water Project and customer onsite retrofit work.

DISCUSSION

Following Council approval, the Recycled Water Customer Onsite Conversions Project was advertised for construction. During the bidding phase, two addenda were issued to provide minor clarification to the plans and specifications. On August 20, 2019, the City received only one bid in the amount of \$1,739,600. Con-Quest Contractors, Inc., submitted the only bid in the amount of \$1,739,600, which is approximately 26% above the Engineer's estimate of \$1,376,000.

Retrofitting customer irrigation systems to convert to recycled water is a specialized type of construction work and currently performed by a limited number of contractors. The Engineer's estimate for this project was \$1,376,000, which is above the \$1,000,000 threshold for requiring bidders to comply with the City's Community Workforce Agreement (CWA). The Engineer's estimate was based on similarly sized construction contracts recently completed for other agencies. The Engineer's estimate was not adjusted to account for the CWA, because the effect of these provisions on the construction cost were unknown. Prior to bidding, the City's consultant did advise that the CWA requirement might further limit the bidders to larger contractors who have more experience complying with the provisions of the CWA.

Four firms initially expressed interest in bidding the project. Two contractors who declined to bid provided feedback to staff that the CWA requirements presented some challenges. A larger contractor provided feedback that due to their current high workload, they would not

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4061415&GUID=74E21629-F857-42B2-9C6F-F81697EAE14C&Options=&Search=>

be interested in a project of this size. Given the current bidding climate, size of the project, requirement to comply with the CWA, and limited number of contractors that perform this work, staff considers the bid submitted by Con-Quest Contractors, Inc. to be a fair and competitive bid.

Construction of the recycled water customer onsite conversions is the final contract for implementing the Recycled Water Project. The current schedule anticipates that notice to proceed for this contract would be issued in September 2019. Construction is anticipated to take approximately six months with deliveries to recycled water customers anticipated to begin in spring 2020.

Staff has been successful in signing customers up for the recycled water program. To date, customers representing twenty-nine (out of thirty) non-City sites have signed an agreement with the City, which provides access for construction of the recycled water customer onsite conversions. Staff is in discussions with the remaining customer. If the City is unable to reach agreement with the final customer prior to the start of construction, this site would be removed from the contract at this time. Staff has informed the customer that per the City's Recycled Water Use Ordinance, the City may still require the site to use recycled water in the future for irrigation, and the conversion would need to be made at the property owner's expense.

ECONOMIC IMPACT

The economic impact of the Recycled Water Project on customers will, to some extent, depend on the total costs to implement the City's Recycled Water Project, which includes the capital and operating costs for the storage and distribution system and recycled water treatment facility. To the extent that the project is partially funded by grants, the overall cost impact to customers is reduced. On July 2, 2019, Council adopted a recycled water rate structure that provides a balance between recovering costs over the life the project and offering an incentive to customers who are able to receive recycled water. The community will benefit from this project through greater diversity and reliability of water supplies, especially during periods of drought.

FISCAL IMPACT

The total estimated costs for the Recycled Water Customer Onsite Conversions are as follows:

Construction Contract	\$ 1,739,600
Administrative Construction Contingency (ACO)	\$ 87,000
Meter and Service Line Installation (City)	\$ 75,000
Construction Management, Inspection, Training, Permitting (Consultant)	\$ 281,935
Inspection, Training, and Permitting (City)	\$ 50,000
Horticulture Support (Consultant)	\$ <u>10,000</u>
Total	\$ 2,243,535

Total Phase I Recycled Water Project Cost

The total estimated capital cost to construct all facilities needed for Phase I of the Recycled Water Project, including the Customer Conversions, is shown in Table 1. The total cost for the treatment facility, storage and distribution system, and customer conversions is currently estimated at \$28,535,235.

The Ten-Year Capital Improvement Program (CIP) includes \$27,811,000 for the Recycled Water Storage and Distribution System Project (Project No. 07507) and \$2,300,000 for the Recycled Water Treatment Facility Project (Project No. 07710), for a total funding amount of \$30,111,000 for Phase I of the Recycled Water Project. The Recycled Water Project is currently anticipated to come in under budget, primarily due to the construction of the distribution system pipelines that was completed nearly one year ahead of schedule and under budget. The Recycled Water Project will not utilize any General Fund monies.

The City has also secured outside grant funding and low interest loans to help finance the Recycled Water Project. In May 2017, the City executed a financing agreement with the State Water Resources Control Board for \$5.8 million in California Proposition 1 grant funding and \$13.5 million in the form of a low-interest Clean Water State Revolving Fund loan. The financing agreement was amended in November 2018 to increase the amount of the low-interest loan from \$13.5 million, which had been previously secured for the project, to \$21.2 million, for a total financial assistance package of \$27 million.

Table 1. Phase I Recycled Water Project Capital Cost Estimate

Facility	Estimated Cost
Recycled Water Storage and Distribution System Project (Project No. 07507)	
Administration, Planning and Design	\$ 2,897,616
Construction	
Whitesell Pipeline (<i>completed in 2015</i>)	\$ 513,648
Distribution System Pipelines (<i>completed in June 2019</i>)	\$ 15,290,718
Storage Tank and Pump Station (<i>currently under construction</i>)	\$ 5,290,718
Customer Retrofits (<i>advertised in July 2019</i>)	\$ 2,243,535
Total (rounded to nearest thousand)	\$ 26,236,235
Recycled Water Treatment Facility Project – Phase I (Project No. 07710)	\$ 2,299,000
Total Estimated Phase I Recycled Water Project Cost	\$ 28,535,235

STRATEGIC INITIATIVES

Implementation of the Recycled Water Project supports the Tennyson Corridor Strategic Initiative. The purpose of this initiative is to develop an attractive, cohesive, thriving Tennyson Corridor through thoughtful engagement with residents, businesses and community partnerships. There are two sites located in the Tennyson Corridor that are

proposed to be connected to the recycled water system, and would therefore support the following goal and objectives:

Goal 3: Improve Community Appearance

Objective 1: Enhance landscaping

Objective 3: Decrease blight

The use of recycled water will help create attractive outdoor spaces in the Tennyson Corridor. Since recycled water is a sustainable and drought-proof source of supply, customers will be able to maintain their landscaping during water supply shortages when drinking water supplies are limited.

SUSTAINABILITY FEATURES

The use of recycled water will reduce the demand for drinking water and improve the reliability and availability of drinking water, while providing a sustainable and drought-proof water supply for some irrigation uses. It will also reduce the volume of wastewater and associated nutrients and residual pollutants discharged to San Francisco Bay, which is required to meet increasingly stringent discharge regulations.

PUBLIC CONTACT

The City completed an environmental review of the Recycled Water Project in October 2014 and a draft Initial Study/Mitigated Negative Declaration (IS/MND) was circulated for a thirty-day public review from October 24, 2014 through November 24, 2014. The IS/MND was adopted on December 16, 2014, incorporating all the comments that were received. The Recycled Water Ordinance, which includes provisions for mandatory use of recycled water for appropriate irrigation and industrial uses, was introduced at a public hearing of the City Council on December 1, 2015 and adopted on December 15, 2015. Prior to the adoption of the Ordinance, a customer meeting was held on November 20, 2015 at City Hall to inform the customers about the City's proposed Recycled Water Project.

In addition, staff and the City's consultant, HydroScience Engineers, have worked closely with potential customers to design onsite piping modifications that would be required to connect a customer to the new recycled water distribution system. This close coordination with customers will continue throughout the construction, testing, and permitting phase. HydroScience will also be implementing educational efforts to train site supervisors, including City staff, on the use of recycled water to ensure a smooth transition. Informational materials on the Recycled Water Project can be viewed at the following website.²

² <https://www.hayward-ca.gov/your-government/departments/utilities-environmental-services/recycled-water>

NEXT STEPS

If approved, staff will proceed with executing and issuing a notice to proceed for the construction contract. The following schedule has been developed for this project:

Award Construction Contract	September 10, 2019
Notice to Proceed	September 27, 2019
Initiate Recycled Water Service	April 2020
Project Completion	June 2020

Prepared by: Aparna Chatterjee, Associate Civil Engineer

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager