



DATE: June 2, 2026

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Approving Addendums No. 1 and No. 2, Rejecting the Bid from Devaney Engineering, Inc., and Awarding a Contract to SubTerra Construction, Inc., for the FY 2024 Water Line Replacement Project, Project No. 07072, in a Not-to-Exceed Amount of \$8,665,745

RECOMMENDATION

That City Council adopts the attached resolution (Attachment II) approving Addendums No. 1 and No. 2, providing minor revisions to the project specifications and plans, rejecting the bid from Devaney Engineering, Inc., and awarding the construction contract to SubTerra Construction, Inc., for the FY24 Water Line Replacement Project, Project No. 07072, in an amount of \$7,877,950 and approving \$787,795 in administrative construction contingency for a total contract amount not-to-exceed \$8,665,745.

SUMMARY

The FY24 Water Line Replacement Project will improve water supply reliability by replacing approximately 15,000 linear feet of existing cast iron and asbestos cement (ACP) pipes ranging from 6 to 12-inch diameters with new 8 or 12-inch polyvinyl chloride (PVC) or earthquake resistant ductile iron (ERDIP) pipes. This project takes place at three locations, where needed, in the City and all the pipe replacement will be done by traditional open-cut method.

On May 5, 2026, eleven (11) bids were received. The lowest bidder, Devaney Engineering, requested to withdraw their bid due to multiple errors in their bid proposal. Staff recommends that Council reject the lowest bid and award the contract to the second lowest responsible and responsive bidder, SubTerra Construction, Inc., in the amount of \$7,877,950, which is \$1,422,050, or 15.3%, below the Engineer's Estimate of \$9,300,000. Furthermore, Staff is requesting Council's approval of Addendums No. 1 and No. 2, which provided minor revisions to clarify the specifications and plans, and approval of \$787,795 in Administrative Construction Contingency for potential change orders.

FISCAL IMPACT

There are no impacts to the General Fund or Measure C.

The estimated costs for the FY24 Water Line Replacement Project are as follows:

| | |
|--|--------------|
| Construction Contract | \$7,877,950 |
| Administrative Construction Contingency | \$787,795 |
| Professional Engineering Services – Consultant | \$1,077,500 |
| Inspection, Testing & Permitting | \$500,000 |
| Construction Administration – City Staff | \$755,000 |
| | |
| Total | \$10,998,245 |

The adopted FY26 CIP includes \$17,274,000 for the FY24 Water Line Replacement Project, Project No. 07072 in the Water Replacement Fund (Fund 603), which is an Enterprise Fund. Of that amount, \$10,998,245 will be allocated for the FY24 Water Line Replacement Project. The remaining \$6,275,755 will be returned to the Water Replacement Fund (Fund 603) to be used for the FY25 Water Line Replacement Project, Project No. 07028, to address updated system priorities. Recent breaks in several large water mains have highlighted the need to accelerate the design and replacement of higher-priority, larger-diameter pipelines that serve more residents. Redirecting the available funding allows the City to focus its limited resources where they provide the greatest benefit. The accelerated FY25 Water Line Replacement Project schedule anticipates completion of design in Spring 2027 and construction beginning in Summer 2027.

BACKGROUND

The City's current Capital Improvement Program includes funding to replace the City's water mains to improve supply reliability and fire flow through annual water line replacement projects. The City has approximately 375 miles of water distribution pipeline, of which approximately 67% consists of asbestos cement pipe, 8% consists of cast iron pipe, and a majority of the existing pipelines are 6 inches in diameter. The water line locations were selected by staff for a variety of reasons including being undersized, having exceeded service life, frequency of breaks, and/or upgrades needed for supply reliability and fire flow improvements.

On February 20, 2024¹, City Council approved Resolution No. 24-066, authorizing the City to enter into a Professional Services Agreement with BKF Engineers (BKF), for design services and technical support during construction for the FY24 Water and Sewer Line Replacement Projects. The Consultant completed the design specifications and plans for the FY24 Water Line Replacement Project in March 2026. On March 17, 2026, City Council approved the plans and specifications for the project and called for bids to be received on May 5, 2026.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=6517563&GUID=3DE2D074-1334-47C7-8115-C6F3C5D16B78>

DISCUSSION

On May 5, 2026, the City received eleven (11) bids for the project, ranging from \$7,376,250 to \$15,535,525. Devaney Engineering, Inc. submitted the lowest bid in the amount of \$7,376,250, which is approximately 20.7% below the Engineer's estimate of \$9,300,000. However, on May 12, 2026, the City received a letter from Devaney Engineering, Inc., requesting to withdraw their bid due to errors in pricing on in five major bid items in their proposal. Staff reviewed the request and determined the bid to be irresponsible given the error and staff is requesting City Council to reject the bid.

SubTerra Construction, Inc., submitted the second lowest bid in the amount of \$7,877,950 which is 15.3% lower than the Engineer's Estimate. Staff is requesting that City Council award the contract to SubTerra Construction, Inc., with an additional \$787,795 (or 10% of the contract amount) for Administrative Construction Contingency in the event additional funds are needed for unforeseen conditions and changes during construction.

ECONOMIC IMPACT

The community will enjoy the benefits of the project, including the continued operability and serviceability of the water distribution system. Furthermore, a robust and reliable water infrastructure can help foster economic development and viability in the City.

Replacing the water mains and appurtenances are part of an effort to, pursuant to City Council direction, modernize and upgrade existing infrastructure. The project will reduce operations and maintenance costs associated with servicing the undersized and aging water mains. In addition, staff time attending to issues related to high frequency maintenance and system breaks will be reduced.

On June 24, 2025², City Council passed a resolution authorizing a Community Workforce Agreement (CWA) with the Alameda County Building Trades Council (BTC), which applies to City projects with construction costs of \$1,000,000 or more. The agreement requires contractors to utilize local union hiring halls, encourages the employment of Hayward residents and Hayward Unified School District graduates, and requires workers to pay applicable union dues and contribute to other benefit trust funds. The CWA agreement applies to the FY24 Water Line Replacement Project as its construction cost exceeds \$1,000,000.

² <https://hayward.legistar.com/LegislationDetail.aspx?ID=7437057&GUID=2CA848AA-3F0F-4AE9-A53E-2309AEDED8CC&Options=Advanced&Search=>

STRATEGIC ROADMAP

This agenda item supports the Strategic Roadmap, which includes Invest in Infrastructure as one of the strategic priorities. Specifically, this item relates to the implementation of Objective 4: Invest in Water Supplies, Sanitation Infrastructure & Storm Sewers under “Invest in Infrastructure:”

N20: Replace an average of 2.5 miles of water pipelines annually

SUSTAINABILITY FEATURES

The repair and replacement of deteriorating water lines would reduce potable water and energy losses related to leaks and main breaks.

PUBLIC CONTACT

Prior to and during construction, notices will be provided to affected residents, property, and business owners to inform them of the nature and purpose of the work, potential impacts, work schedule and City contact for additional information. In addition, staff will separately contact any large employers and schools that may be affected by the project and coordinate work to minimize impact.

NEXT STEPS

The following schedule has been developed for this project:

| | |
|-----------------------------|--------------|
| Award Construction Contract | June 2, 2026 |
| Notice to Proceed | July 2026 |
| Construction Completion | Spring 2027 |

Prepared by: Derek Pham, Senior Utilities Engineer

Reviewed by: Zaheer Shaikh, Utilities Engineering Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Jennifer Ott, City Manager