



Folsom City Council Staff Report



MEETING DATE:	3/22/2022
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 10820 - A Resolution Authorizing the City Manager to Execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds
FROM:	Environmental and Water Resources Department

RECOMMENDATION / CITY COUNCIL ACTION

The Environmental and Water Resources Department recommends that the City Council pass and adopt Resolution No. 10820 - A Resolution Authorizing the City Manager to Execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds.

BACKGROUND / ISSUE

The Environmental and Water Resources (EWR) Department identifies water infrastructure rehabilitation and replacement projects through water master plans, ongoing water condition assessment programs, and regulatory changes. Through these efforts, portions of the water system have been identified as needing rehabilitation or replacement in order to improve the water distribution system reliability.

The Water System Rehabilitation Project No. 2 is addressing infrastructure improvements throughout the water distribution system at 13 different locations. The work includes installing isolation valves, providing water service redundancy at locations that only have one point of connection to the water system, and rebuilding pressure reducing stations to meet current City standards.

The EWR Department received the following bids on June 10, 2021 for construction of the Water System Rehabilitation Project No. 2:

Contractor	Bid Amount
Caggiano General Engineering, Inc.	\$1,395,785
McGuire & Hester	\$1,756,250
Rawles Engineering	\$2,151,655

The Water System Rehabilitation Project No. 2 was awarded to Caggiano General Engineering, Inc. on July 27th, 2021 through Resolution No. 10663.

Recently, the EWR Department received a contract change order request from Caggiano General Engineering, Inc. stating that since the bid opening for the subject project, construction products prices have increased due to the pandemic, supply chain disruptions, and inflation.

After reviewing various supporting documentation such as price increase letters from Ferguson Enterprises, LLC and Vulcan Materials Company and analyzing the California Crude Oil Price Index from June of 2021 to present, EWR recommends processing Contract Change Order No. 1 in the amount of \$67,302.

This resolution will authorize the City Manager to execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds.

POLICY / RULE

In accordance with Chapter 2.36 of the Folsom Municipal Code, supplies, equipment, services, and construction with a value of \$66,141 or greater shall be awarded by City Council.

ANALYSIS

The EWR Department reviewed various supporting documentation after receiving a contract change order request from Caggiano General Engineering, Inc. as a result of construction product prices increasing since the bid opening due to the pandemic, supply chain disruptions and inflation. Specifically, the EWR Department reviewed price increase letters from Ferguson Enterprises, LLC and Vulcan Materials Company and analyzed the California Crude Oil Price Index from June of 2021 to present. A summary of this review is shown in the table below:

Item No.	Description	Original Bid Amount	Increase
1	Fuel (CA Crude Oil Price Index) ¹	\$50,000	\$10,000
2	Pipe and Materials (Ferguson) ²	\$280,447	\$42,352
3	AB & Sand (Vulcan) ³	\$75,000	\$10,500
4	Asphalt (Vulcan) ⁴	\$125,000	\$4,450
Total Increase			\$67,302

- 1 CA Crude Oil Price Index for June 2021 was 373.7. CA Crude Oil Price Index for Feb 2022 was 460.7. This represents a 23% increase. A 20% increase was agreed upon.
- 2 Price increased based on Ferguson revised quote dated 11/10/21
- 3 Price increase of \$1.00/ton and an additional \$0.50 tax per ton for 4,000 tons of Aggregate Base and 3,000 tons of Sand.
- 4 Price increase of Asphalt Cement of \$1.00/ton for tax and a surcharge of \$3.45/ton for materials for 1,000 tons

The EWR Department consulted with in-house legal counsel as well as outside legal counsel and based on the analysis above and the fact that the second low bidder at the time of bid opening was \$360,465 higher, both in-house legal counsel and outside legal counsel were supportive of moving forward with processing Contract Change Order No. 1. The City recommends processing Contract Change Order No. 1 in the amount of \$67,302.

This resolution will authorize the City Manager to execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds.

FINANCIAL IMPACT

On July 27, 2021 through Resolution No. 10663 City Council authorized the City Manager to execute an agreement with Caggiano General Engineering, Inc. for the construction of the Water System Rehabilitation Project No. 2 in the amount of \$1,395,785 with a total project budget for this agreement in the amount of \$1,535,364 which included a 10% contingency in the amount of \$139,579.

The EWR Department is requesting an increase of Caggiano General Engineering, Inc. contract by \$67,302 for a total not-to-exceed project budget for this agreement in the amount of \$1,602,666. Sufficient funds are budgeted and available in the Water Operating Fund (Fund 520) and funds are available for this appropriation.

ENVIRONMENTAL REVIEW

This project is replacement and/or improvement of existing infrastructure with negligible or no expansion of use and therefore is categorically exempt from environmental review under the California Environmental Quality Act as noted in Title 14 – California Code of Regulations, Chapter 3 – Guidelines for Implementation of the California Environmental Quality Act, Article 19 – Categorical Exemptions, Section 15301 (Existing Facilities), 15302 (Replacement or Reconstruction), and/or 15304 (Minor Alterations to Land).

ATTACHMENT

Resolution No. 10820 - A Resolution Authorizing the City Manager to Execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 and Appropriation of Funds

Submitted,

Marcus Yasutake, Director

ENVIRONMENTAL AND WATER RESOURCES DEPARTMENT

RESOLUTION NO. 10820

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE CONTRACT CHANGE ORDER NO. 1 WITH CAGGIANO GENERAL ENGINEERING, INC. (CONTRACT NO. 174-21 21-049) FOR THE CONSTRUCTION OF THE WATER SYSTEM REHABILITATION PROJECT NO. 2 AND APPROPRIATION OF FUNDS

WHEREAS, the City of Folsom has identified this project as a priority to maintain integrity and operation of the water distribution system; and

WHEREAS, the infrastructure improvements identified to enhance the City's water distribution system include installing isolation valves, providing water service redundancy and rebuilding pressure reducing stations; and

WHEREAS, on July 27, 2021, the City Council approved Resolution No. 10663 awarding a construction contract to Caggiano General Engineering, Inc. for the construction of the Water System Rehabilitation Project No. 2; and

WHEREAS, sufficient funds are budgeted and available in the Water Operating Fund (Fund 520) for the FY 2021-22, however, an appropriation in the amount of \$67,302 is needed for the project, increasing the overall project budget from \$2,554,694 to \$2,621,996; and

WHEREAS, the Change Order will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute Contract Change Order No. 1 with Caggiano General Engineering, Inc. (Contract No. 174-21 21-049) for the Construction of the Water System Rehabilitation Project No. 2 for an additional \$67,302 for a total not-to-exceed amount of \$1,602,666.

BE IT FURTHER RESOLVED that the Finance Director is authorized to appropriate \$67,302 to the FY 2021-22 Water Operating Fund (Fund 520) for this project. The appropriation will be from fund balance which is currently available.

PASSED AND ADOPTED this 22nd day of March, 2022, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Kerri M. Howell, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK