



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6598
January 7, 2025
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 6598: 2024 Water System Improvements Construction Bid Award	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Award the 2024 Water System Improvements construction contract to Kar-Vel Construction and set the total project budget to \$5,119,034.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Patrick Yamashita, Deputy Public Works Director Clint Morris, Capital Division Manger George Fletcher, Senior CIP Project Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Project Location Map
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 5,119,034
AMOUNT BUDGETED	\$ 5,245,000
APPROPRIATION REQUIRED	\$ 0

EXECUTIVE SUMMARY

The purpose of this agenda bill is to award a public works construction contract to upgrade aging and undersized water system infrastructure at two locations within the central portion of Mercer Island (see Exhibit 1).

- This project replaces over 6,000 feet of water main, along with water services, fire hydrants, a pressure reducing valve station, and other critical water distribution system components (90.40.0031).
- The project also installs nearly 500 feet of storm drainage pipe, 14 new catch basins, and constructs 55 feet of soldier pile retaining wall (90.35.0015).
- These projects are included in the 2025-2026 Biennial Budget and Capital Improvement Program (CIP) with \$4,820,000 funded by the Water Fund and \$425,000 funded by the Storm Water Fund, for a total project budget of \$5,245,000.
- Three bids were received. The low construction bid is \$4,074,552.
- Design work was funded from the 2023-2024 CIP (WU0131) at a cost of \$373,000.
- Construction is scheduled to occur from late January 2025 through August 2025.

BACKGROUND

One of the City's top priorities is to provide safe and reliable drinking water to the community. A major component of achieving that goal is on-going, planned replacement of portions of the water system that have reached the end of their service life. Each biennium, the City constructs at least one watermain replacement project, as well as performing other capital water system upgrades.

The City owns and maintains over 115 miles of water mains, ranging in size from 4-inches to 30-inches in diameter. During each Capital Improvement Program (CIP) budget planning process, City staff evaluate and prioritize water mains for replacement using a scoring matrix that applies rating factors to attributes such as pipe material, age, diameter, condition, water quality, and fire flow.

Two high priority neighborhood locations for water main replacement are included in this project. These sites have water mains that were installed in the late 1950's and early 1960's, making them some of the oldest components of the City's water system. The water mains are a combination of 4-, 6-, and 8-inch cast iron. Some are undersized. Most have a history of breaks and there are numerous undersized fire hydrants. Additionally, portions of the roadway storm drainage system require repair and extension.

This project will provide timely water system upgrades by strengthening the distribution system, increasing fire flow, replacing aging water services, and improving water quality.

Design work began in November 2023 and was completed in mid-November 2024. The project was advertised for bids after design work was finalized. At completion of design, the engineer's estimated construction cost was \$4,062,047.

ISSUE/DISCUSSION

PROJECT DESCRIPTION

The 2024 Water System Improvement Construction project (90.40.0031) consists of installing just under 6,000 feet of new 8-inch ductile iron water main, 100 feet of new 6-inch ductile iron water main, 165 feet of new 4-inch ductile iron water main, 15 fire hydrants, 102 water services, 9 connections to existing water mains, and construction of a new pressure reducing valve station. This work is funded via the Water Fund.

Work also includes constructing new storm drainage infrastructure (90.35.0015) of approximately 325 feet of 12-inch storm pipe, 165 feet of 8-inch storm pipe, 14 new catch basins, and 55 feet of new soldier pile retaining wall. These improvements are funded through the Storm Water Fund.

The replacement locations as outlined in Exhibit 1 include:

- 84th and 86th Avenues SE, from SE 46th Street south to the 4700 block,
- SE 46th Street, SE 47th Street, and 47th Place, between 84th and 86th Avenues,
- SE 42nd Street, in the 7800 block,
- Holly Lane, in the 4100 block.

BID RESULTS

Three construction bids were received and opened on November 21, 2024. The lowest bid was received from Kar-Vel Construction with a bid of \$4,074,552, which was within 1% of the engineer’s construction cost estimate. The following table shows the bid results.

2024 WATER SYSTEM IMPROVEMENTS CONSTRUCTION BID SUMMARY	
COMPANY NAME	TOTAL BID AMOUNT INCLUDING 10.2% WASHINGTON SALES TAX
Kar-Vel Construction	\$4,074,552
HCON Incorporated	\$4,126,108
SCI Infrastructure, LLC	\$4,161,167
Engineer’s Estimate	\$4,062,047

The apparent low bidder, Kar-Vel Construction (Kar-Vel), based in Renton, Washington was established in 1990. They have completed numerous water main and utility infrastructure construction projects for public agencies and private developments in Western Washington, including the City’s 2023 Water System Improvements project, which was completed on time and under budget. Currently, Kar-Vel is constructing the City’s 2024 AC Water Main Replacement Project within the Mercerwood neighborhood.

A review of the Labor and Industries (L&I) website confirms Kar-Vel Construction is a contractor in good standing with no license violations, outstanding lawsuits, or L&I tax debt. Based on review of Kar-Vel’s bid submittal and reference checks, staff has determined that Kar-Vel is the lowest responsive bidder for this project and staff recommends awarding the 2024 Water System Improvements project to Kar-Vel Construction.

PROJECT BUDGET

Adding amounts for construction contingency, inspection, and project management brings the project’s total estimated construction cost to \$5,119,034, which is \$125,966 under the available budget.

Project design expenses are not included in this estimate since those costs were funded from the 2023-2024 CIP and were completed in 2024. The total cost of the design phase was \$373,000.

Historically, staff applies a 20% contingency for utility construction due to the unknowns associated with underground work; however, with this larger project a 15% contingency is recommended. Staff reduced the contingency since several recent water main replacement projects have not used large amounts of contingency funds. Project costs are summarized in the table on the next page.

2024 WATER SYSTEM IMPROVEMENT CONSTRUCTION PROJECT BUDGET	
Description	TOTAL
Construction	
Schedule A (Water on 84th, 86th, SE 46th, SE 47th)	\$2,495,270
Schedule B (Water on SE 42nd and Holly Ln)	\$1,001,070
Washington State Sales Tax @ 10.2%	\$356,627
Schedule C (Storm drainage work)	
Exempt from sales tax	\$221,585
Total Construction Contract Award to Kar-Vel Construction	\$4,074,552
Construction Contingency @ 15%	\$611,183
Construction Support Services - Consultant	\$33,300
Project Management/In-House Staff Support	\$300,000
Construction Inspection	\$100,000
Total Project Cost	\$5,119,034
2025-2026 Budget - Water Fund for Const. (90.40.0031)	\$4,820,000
2025-2026 Budget - Storm Fund for Const. (90.35.0015)	\$425,000
Total Budget Available for Project	\$5,245,000
Budget Appropriation Needed	\$0

NEXT STEPS

Staff recommends authorizing the City Manager to execute a contract with Kar-Vel Construction, a Washington-based company, for the construction of the 2024 Water System Improvements project and set the total project budget at \$5,119,034.

Public agencies, contractors, and suppliers are still experiencing some shortages of materials and some long lead times on critical items, such as ductile iron pipe, brass pipe fittings, and other water system accessories. Staff anticipates construction work will begin in late January 2025. Completion of the entire project is expected by August 2025. Staff will work closely with the Kar-Vel team to manage the project timeline and work schedule.

RECOMMENDED ACTION

Award the 2024 Water System Improvements project to Kar-Vel Construction, authorize the City Manager to execute a contract with Kar-Vel Construction in an amount of \$4,074,552 and set the total project budget at \$5,119,034.