



Agenda Report

22-1220

Agenda Date: 1/11/2022

REPORT TO COUNCIL

SUBJECT

Action on Award of Contract for Construction of the South Loop Project to Hotline Construction, Inc. and Related Budget Amendment

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

On December 8, 2021, Silicon Valley Power (SVP) opened bids for the South Loop Project (Contract No. 2124B). The primary objective of the South Loop Project (Project) is to shift the electrical load demand from the South Loop Circuit to the East Loop Circuit while increasing the power transfer capability of the 60 kilovolt (kV) electric system. The system capacity that is gained from the implementation of this project is needed to maintain system reliability as the electrical demands of the City continues to increase. The project is also critical to maintaining project timelines for new data center customers as well as allowing for load growth at existing data center sites.

The scope of the Project is to construct approximately 3.5 miles of new single and double circuit 60 kilovolt (kV) overhead transmission line within the northeastern area of the city (Attachment 1). The proposed construction contract consists of all labor and equipment required to install and energize the proposed overhead transmission lines. The major materials for the Project including overhead conductor and steel poles were separately procured by SVP.

The Project was first advertised for bid on August 9, 2021. After an eleven (11) week advertisement period, and two pre-bid meetings, no bids were received. Staff modified the contract documents to allow flexibility in standard working hours and reduce the liquidated damages (i.e., penalty amounts imposed for delay) from \$10,000 a day to \$2,500 a day. SVP advertised the project a second time on November 11, 2021 for a four (4) week period. Staff also contacted several qualified contractors directly in an effort to encourage bids. On December 8, 2021, the City opened bids for the Project.

DISCUSSION

One bid was received for the Project. The Engineer's Estimate (prepared by Electrical Consultants Inc.) and the evaluated bid are as follows and included in Attachment 2:

Engineer's Estimate	\$12,374,501
Hotline Construction, Inc.	\$18,583,938

Hotline Construction's bid is \$6,209,437 over the Engineer's Estimate. Labor costs account for nearly the entire difference between the bid and Engineer's estimate. The labor market for utility

projects is very competitive, specifically in the greater Bay Area where few contractors are qualified to do this type of utility work. Another factor contributing to the competitiveness of the labor market is the high volume of transmission line fire hardening projects by other utilities in response to California Wildfires. Staff expects labor costs to continue increasing for the foreseeable future.

Staff reviewed Hotline Construction's bid for compliance with terms and conditions of the Contract Documents and determined the bid responsive, and Hotline Construction a qualified contractor. While the bid is significantly higher than the engineer's estimate, staff recommends awarding the contract to Hotline Construction, Inc. based on the scarcity of qualified contractors and the importance of the Project in meeting forecasted load growth and improving overall system reliability.

ENVIRONMENTAL REVIEW

The City Council adopted a Mitigated Negative Declaration (MND) [SCH#2020-05-9009] for the South Loop Project on July 7, 2020 by Resolution No. 20-8869.

FISCAL IMPACT

Hotline Construction submitted a bid in the amount of \$18,583,938. Given the nature of 60kV transmission project construction work and extent of underground utilities located within the Project alignment, staff recommends a 15% contingency, or \$2,787,591, for any potential change orders. Therefore, staff proposes a total not-to-exceed amount of \$21,371,529.

To ensure sufficient Project funding, staff recommends a budget amendment to increase the Transmission System Reinforcements budget by \$11.8 million based on the total anticipated project cost through construction, commissioning, and energization, as well as property acquisition costs. Project funding would come from previously collected Load Development Fee revenue (\$5.7 million) and anticipated Load Development Fee revenue for FY 2021/22 (\$6.1 million). SVP anticipates increased revenues from data center load growth allowed by Project implementation.

Budget Amendment FY 2021/22

	Current	Increase/ (Decrease)	Revised
Electric Utility Capital Fund			
<u>Revenue</u>			
Other Revenue (Load Development Fees)	\$30,977,951	\$6,100,000	\$37,077,951
<u>Expenditures</u>			
Unrestricted Ending Fund Balance	\$17,267,949	(\$5,700,000)	\$11,567,949
Transmission System Reinforcements (591-2124)	\$14,270,924	\$11,800,000	\$26,070,924

City Charter Section 1305 requires an affirmative vote of at least five members of the City Council to transfer unused balances appropriated for one purpose to another purpose, or to appropriate available revenue not included in the budget.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Award the Contract for Construction of the South Loop Project (Contract No.2124B) to Hotline Construction, Inc., in the amount of \$18,583,938 and authorize the City Manager to execute any and all documents necessary for the award, completion and acceptance of the Project;
2. Authorize the City Manager to execute change orders up to 15% of the original contract amount, or \$2,787,591, for a total not-to-exceed amount of \$21,371,529 for Contract No. 2124B; and
3. Approve a FY 2021/22 budget amendment in the Electric Utility Capital Fund to increase the Other Revenue estimate by \$6.1 million, increase the Transmission System Reinforcements Capital Improvement Program Project by \$11.8 million, and decrease the Unrestricted Ending Fund Balance by \$5.7 million (**five affirmative Council votes required to appropriate additional revenue and for the use of unused balances**) .

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Location Map
2. Bid Summary