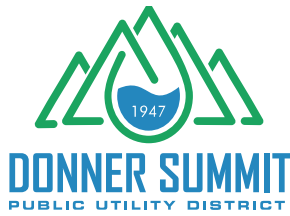


Agenda Item: 8B



STAFF REPORT

TO: Board of Directors

PREPARED BY: Steven Palmer, PE, General Manager *SP*

SUBJECT: Approve a Resolution Rejecting all Bids for the Reservoir 2 Lining Project and Provide Direction on Options for the Project

RECOMMENDATION

Reject all bids for the Reservoir Lining 2 Project and provide direction on options for the Project.

BACKGROUND

On January 21, 2025, the Board approved the plans and specifications and authorized the General Manager to issue a notice inviting bids for the Reservoir 2 Lining Project. This Project includes blasting and recoating of the exterior and interior of Reservoir 2.

The Project was advertised for construction bids via the website BidNetDirect on February 28, 2025. The following bids were received on April 1, 2025:

Contractor	Bid Amount
Unified Field Services Corporation	\$ 551,574
Farr Construction Corporation (RDC)	\$ 600,800
Viking Industrial Painting, LLC	\$1,188,900

The District's budget and capital improvement plan (CIP) allocate a total of \$320,000 for tank recoating between now and June 30, 2027. Unfortunately, these bid prices are nearly double the amount planned in the CIP and the District does not have enough unrestricted cash to fund this project, nor does it have the capacity to borrow funds.

DISCUSSION

Ed Darrimon from Bay Area Coating Consultants, a construction management and inspection company specializing in tank rehabilitation, reviewed the bid results and discussed the Project with the apparent low bidder Unified Field Services Corporation (Unified). Unified indicated that the high cost is due to two main factors:

1. The exterior tank coating contains lead and they will need to wrap the tank during exterior cleaning and preparation; and
2. They believe scaffolding is required to access the tank exterior.

This tank is in fair to poor condition, and it is important to recoat within the next two years. Three potential options for proceeding with the Project are discussed below.

Option 1

Reject the current bids and advertise for new bids once the District has accumulated enough reserves to construct the Project. This would delay the Project until 2026 or 2027.

Bay Area Coating Consultants reviewed the inspection report and believes the District can postpone recoating the tank for a year or two. However, there is a risk that the construction cost will increase during this time due to inflation and other economic factors.

Option 2

Reject the current bids, immediately prepare new bid documents and advertise for new bids to only coat the interior this year. Delay exterior coating until the District has accumulated enough reserves, likely 2026 or 2027.

Based on the bids received, the estimated cost to coat only the interior is \$330,000 plus \$33,000 for inspection, for a total cost of \$363,000. This exceeds the amount planned in the five-year capital improvement plan by \$43,000 and would reduce unrestricted reserves.

Coating the interior now will reduce the risk of inflationary cost increases, and the District will promptly begin needed tank rehabilitation. Unfortunately, it is likely to cost more than it would to recoat the interior and exterior at the same time. There are several reasons for this:

1. Extra staff time to prepare and bid two projects.
2. Two charges for contractor lump sum charges like mobilization
3. Two separate construction management and inspection contracts.
4. Risk that the cost to recoat the tank exterior will increase due to inflation and other economic factors.

Option 3

Accept the low bid and move forward with the project with funding from restricted reserves.

This approach would use all of the District's unrestricted reserves, and reduce restricted reserves to less than \$670,000. This would violate loan covenants from all four of the loans that we currently have from USDA and the State. As a condition of the loans, the District is required to keep \$752,100 in restricted reserves in order to payoff one year of loan payments. In addition, spending all of the unrestricted reserves is inconsistent with the Board adopted Reserve Policy goals of maintaining 4 to 6 months of operating costs and 50% of the five-year CIP expenditures in reserves.

While Options 1 and 2 are both acceptable, the General Manager's recommends Option 2. This option will help preserve Reservoir 2 with only a small impact on reserve fund balance. The General Manager recommends against Option 3.

FISCAL IMPACT

The adopted CIP includes \$160,000 for all costs to recoat one tank, including \$30,000 that is budgeted during the current fiscal year, and a total of \$320,000 over three years for a tank coating program. These bid results show that the actual cost of tank coating is much higher. These cost increases need to be incorporated into the five-year CIP and the upcoming Fiscal Year 2025-2026 operating budget.

CEQA ASSESSMENT

This project is exempt per CEQA Section 15301 Existing Facilities, operation, repair, maintenance, and minor alteration of an existing drinking water reservoir. There is no expansion of existing use. A notice of exemption was filed on February 27, 2025.

ATTACHMENTS

1. Resolution 2025-08

RESOLUTION NO. 2025-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DONNER SUMMIT PUBLIC UTILITY DISTRICT REJECTING ALL BIDS FOR THE RESERVOIR 2 LINING PROJECT

WHEREAS, the Donner Summit Public Utility District (DSPUD) Board of Directors approved the Fiscal Year 2024-2025 budget and capital improvement plan that included this project; and

WHEREAS, the Board of Directors approved the plans and specifications and authorized issuing a notice inviting bids on January 21, 2025; and

WHEREAS, on April 1, 2025 DSPUD received two bids ranging from \$551,574 to \$1,188,900; and

WHEREAS, the lowest responsive and responsible bidder was Unified Field Services Corporation, with a bid amount of \$551,574; and

WHEREAS, the approved Fiscal Year 2024-2025 budget and capital improvement plan included \$320,000 for tank recoating between now and Fiscal Year 2026-2027; and

WHEREAS, the lowest bid by Unified Field Services Corporation exceeds the funding available for this Project; and

WHEREAS, the District wants to proceed with a reduced-scope project to rehabilitate Reservoir 2 at a lower cost.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF DONNER SUMMIT PUBLIC UTILITY DISTRICT DOES HEREBY RESOLVE that all bids for the Reservoir 2 Lining Project are rejected.

BE IT FURTHER RESOLVED that the General Manager is directed to prepare new bid documents and issue a new notice inviting bids to perform work on only the interior of Reservoir 2.

PASSED AND ADOPTED by the Board of Directors of Donner Summit Public Utility District, this 15th day of April 2025, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

DONNER SUMMIT PUBLIC UTILITY DISTRICT

By: _____
Cathy Preis
President, Board of Directors

ATTEST:

By: _____
Dawn Parkhurst
Secretary of the Board