2175 Cherry Avenue • Signal Hill, California 90755-3799

CITY OF SIGNAL HILL

STAFF REPORT

6/24/2025

AGENDA ITEM

TO: **HONORABLE MAYOR**
AND MEMBERS OF THE CITY COUNCIL

FROM: **CARLO TOMAINO**
CITY MANAGER

BY: **THOMAS BEKELE**
PUBLIC WORKS DIRECTOR/CITY ENGINEER

SUBJECT:

PUBLIC WORKS CONTRACT WITH SPIESS CONSTRUCTION COMPANY, INCORPORATED FOR THE GUNDRY RESERVOIR ROOF REPLACEMENT AND REHABILITATION PROJECT (PROJECT NO. 95.23001)

Summary:

The City's Water Master Plan identifies the Gundry Reservoir Roof Replacement Project as a critical priority project. The Gundry Reservoir, located within Reservoir Park at 3315 Gundry Avenue, is a cylindrical concrete water storage tank with a five-million-gallon capacity, originally constructed in 1929. Over the decades, the reservoir has undergone multiple upgrades, including the replacement of its original wooden roof framing with a steel structure in the 1990s and the application of a watertight coating in 2006. In March 2022, an interior and structural inspection identified failing structural roof members, necessitating a complete roof replacement and recoating to ensure continued water quality and structural integrity.

Staff issued a new Notice Inviting Bids to re-advertise the Project on March 14, 2025. Following a competitive bidding process, staff recommends the City Council award a Public Works contract to Spiess Construction Company, Incorporated, as the lowest responsible bidder, for a not-to-exceed amount of $6,707,137. Staff also recommends the City Council authorize a 10% contingency for a total construction budget of $7,377,851. If approved, the construction is slated to begin in October of 2025; staff anticipates the contractor would complete work by May 2026. Staff proposes funding the project with capital funding from the Water Division, along with a $3 million bridge loan from the General Fund.

Strategic Plan Goal(s):

Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.

Goal No. 4 Infrastructure: Maintain and improve the City's physical infrastructure, water system, and recreational spaces.

Goal No. 5 High-Functioning Government: Strengthen internal communications, recruitment, retention, systems, and processes to increase the effectiveness and efficiency of City services.

Recommendations:

1. Authorize the City Manager to enter into a Public Works Contract with Spiess Construction Company, Incorporated, for the construction of the Gundry Reservoir Roof Replacement and Rehabilitation Project (Project No. 95.23001), for a term of 120 working days and a not-to-exceed contract amount of $6,707,137 in a form approved by the City Attorney.

2. Authorize a contingency of $670,714 and up to a 60-working day extension to accommodate additional scope of work, changes, or any unforeseen conditions, to be utilized if approved by the Public Works Director, for a total construction budget of $7,377,851.

3. Adopt a Resolution, entitled:

   A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIGNAL HILL, CALIFORNIA, AMENDING THE ADOPTED BUDGET AND AUTHORIZING BUDGET APPROPRIATIONS FOR FISCAL YEAR 2025-26.

Fiscal Impact:

The Gundry Reservoir Roof Replacement and Rehabilitation Project (Project No. 95.23001) is being funded through the Water Fund and a General Fund loan, with a total project budget of $7,765,577, including funds spent to date. Approving this contract will necessitate an adjustment of $1,765,577 to the Water Fund budget for Fiscal Year 2025-26 under Account No. 500-40-5896 and the Capital Improvement Program Budget associated with Project No. 90.23001. This adjustment is consistent with both the Water Master Plan (WMP) and the Water Rate Study (RS) initiatives, which projected $7.5 million in expenditures for this project for Fiscal Year 2025-26.

The proposed Public Works Contract includes a not-to-exceed amount of $6,707,137 and contract term of 120 working days, with an additional contingency of $670,714, for a total construction budget of $7,377,851.

Background:

Gundry Reservoir, located on the south side of Reservoir Park and north of 33rd Street, is a partially buried cylindrical concrete water storage tank with a capacity of five million gallons. The reservoir measures approximately 200 feet in diameter and 20 feet in height. Since its original construction in 1929, the reservoir has undergone several significant improvements. In the 1990s, the City replaced the original wooden roof framing system with a steel truss and plate system. In 2006, the City applied a watertight interior coating and completed a partial roof replacement, resulting in two distinct roof structures.

Over time, the steel roof plate and several structural components have deteriorated, resulting in the

failure of certain framing members and exhaust fan penetrations. In March 2022, the City conducted an inspection of the reservoir's interior and structural elements to ensure compliance with routine maintenance and ongoing water quality standards. Following a comprehensive assessment of both the interior and exterior structure, staff determined that a complete roof replacement, along with the removal and reapplication of the existing watertight coating, is necessary to preserve water quality standards and maintain the facility's structural integrity

On April 25, 2023, the City Council awarded a professional consulting services agreement to Ardurra Group, Incorporated (Ardurra) to develop engineered plans and specifications for the Gundry Reservoir Roof Replacement and Rehabilitation Project (Project), with a design cost not-to-exceed $299,313. Subsequently, in July 2024, Ardurra provided the final bid-ready plans and specifications, approved by the Public Works Department and the City Engineer.

Analysis:

The scope of work outlined in the Project plans and specifications includes the removal and replacement of the aging roof structures, concrete crack repairs, and exterior painting at the Gundry Reservoir and Sand Basin. Additionally, the scope covers the interior recoating of the reservoir, as well as the replacement, media blasting, and rehabilitation of existing piping within the Gundry Reservoir and its exterior piping.

Prior Bid Circulation

On September 13, 2024, the City posted a Notice Inviting Bids for the project at its public notice locations, on the City's website, and posted on PlanetBids via the City's portal. The engineer's estimate for the completion of the project, including the Gundry Reservoir and Sand Basin, is approximately $2.8 million. To account for potential increases in construction costs, the City included work for the sand basin in the Project scope as an additive alternate item scope in the advertising documents.

On the due date, the City received two bids. The low bidder, Spiess Construction Company, Incorporated submitted a total bid of $5,599,895.55. Although Spiess Construction Company, Incorporated submitted a complete and responsive bid, the bid exceeded both the engineer's estimate of $2,859,000 and available funding. As a result, on November 12, 2024, the City Council authorized the rejection of all bids to assess the condition of the reservoir, identify potential funding opportunities, and perform necessary maintenance and temporary repairs.

As discussed in greater detail below, the substantial difference between the initial engineering estimate and the bids the City received is due to factors outside its immediate control including the cost of materials, unforeseeable structural conditions, and additional work that is necessary to complete the project.

Potential Cause For High Bid Prices

The difference between the Engineer's estimate and the lowest bid is primarily due to the following factors:

1. Import Tariffs: Uncertainty in aluminum and steel material pricing due to recently imposed

import tariffs of up to 50% which create a heightened price surge. Staff inquired about the cause of such a substantial increase and contacted several steel manufacturers who responded by stating that tariffs apply pressure to all markets, including domestic ones, as reduced competition from imports allows vendors to increase profit margins locally while remaining competitive.

2. Unidentified Concrete Floor Conditions: The exact condition of the concrete floor beneath the coated surface inside the reservoir is unknown without potentially damaging investigatory methods at the time of the bid. The concrete repairs, as mandated by Project specifications, are challenging to quantify accurately in advance without emptying the reservoir and performing destructive testing, resulting in cost variability. To drain the tank, the Water division would be required to test and establish connection bypasses to Gundry Reservoir and purchase Metropolitan water to provide uninterrupted service to the community during the investigation, both of which have their own significant cost factors.

3. Variable Coating Thickness: Based on recently completed tank inspection reports performed by a water quality vendor on the reservoir, the condition of the coating within the interior of the reservoir varies in condition and thickness and requires varying levels of labor and equipment effort to remove. Project bidders expressed the need to account for additional labor efforts in this line item due to uncertainty of the existing condition.

4. Sand and Water Removal from Basins: The sand in the Sand Basin may need to be removed manually due to limited access, which adds to labor costs. For the reservoir, dewatering operations include removing a range of approximately 0.5 feet to 2.0 feet water level from the reservoir, prior to initiating work. Bidders expressed the need to use high end of the range to account for the worst-case scenario.

5. Project Completion Timeline: Gundry Reservoir is a critical part of the water system as it receives a significant portion of the water pumped into the City water network from wells in north Long Beach. As such, downtime to the reservoir is a controlling factor that has high-cost implication due to the need to import Metropolitan water during the construction period. The project is set at 120 working days from the date of the first drain to the reservoir. This timeline applies a certain time constraint on contractors to complete the project without incurring liquated damages. Therefore, the contractors may have to work during weekends or at night to complete the project resulting in additional labor cost.

Capital Outlay Budget Increase and New Bid Circulation

Following the rejection of bids by the City Council, staff continued to pursue alternative funding opportunities for the Gundry Reservoir Roof Replacement and Rehabilitation Project. However, due to the ongoing deterioration of the reservoir roof and the urgency of addressing structural and water quality concerns, staff determined that a loan from the General Fund was the only viable option at the time to meet this immediate need. To support the Project, on February 25, 2025, the City Council approved a one-time bridge loan from the General Fund to the Water Enterprise Fund in the amount of $3 million. The loan carries a three percent (3%) interest rate with a 20-year repayment term. Staff incorporated this financing mechanism into the proposed water rate structure to ensure sufficient funding for the capital outlay budget.

Current Bid Circulation

On March 14, 2025, the City posted a new Notice Inviting Bids for the Project following the City's noticing procedure. The following table below lists the bids the City received by the bid due date of April 14, 2025:

Contractor	Bid Total
Vicon Construction Incorporated	$6,300,000
Spiess Construction Company Incorporated	$6,707,137
2H Construction	$6,973,072

Vicon Enterprise Incorporated, the lowest bidder, submitted its documents prior to the bid deadline. However, the submission included an exception to the bid price, stating that the aluminum roof structure did not include the matte finish, as required by the Project specifications. Therefore, staff deemed the bid submission non-responsive as this exemption represents a material deviation from the advertised project requirements and affects the overall cost and appearance of the roof structure. The advantages to applying a matte treatment on a dome shaped roof structure include significantly reducing glare and reflection to nearby residential properties and increasing surface durability.

Spiess Construction Company, Incorporated, the second lowest bidder, submitted all required documents prior to the bid deadline and made no exceptions to its bid. Staff verified that Spiess and its subcontractors hold the necessary licenses to perform the proposed work under this contract. Staff also conducted reference checks on the company's listed projects in the Statement of Qualifications, confirming Spiess Construction Company, Incorporated as the lowest responsive and responsible bidder.

Recommendation:

Staff recommends awarding a contract to Spiess in the amount of $6,707,137 for a term of 120 working days; staff also recommends authorizing a 10% contingency as part of the Project. Upon the City Council's approval, staff would issue a Notice to Proceed and begin coordinating with the contractor for long lead material items such as the aluminum dome roof. If approved by the City Council, the construction of the Project would tentatively start in October 2025 during the Water Division's lower water demand period, with completion anticipated by May 2026.

Reviewed for Fiscal Impact:

_____
Siamlu Cox

Attachments:

A. Contract Agreement
B. Budget Amendment Resolution