



# CITY COUNCIL STAFF REPORT

---

**TO:** City Council **DATE:** March 09, 2026

**DEPARTMENT:** Public Works

**PREPARED BY:** Chantell O'Neal, Assistant Director Engineering

**PRESENTER:** Chantell O'Neal, Assistant Director Engineering

**AGENDA TITLE:** Receive Report and Consider Accepting Certificate of Completion for the 2025 Street Rehab Project (PWP-00132) and Direct City Clerk to File Notice of Completion

---

## RECOMMENDATION

1. Receive the project completion report.
  2. Accept the Certificate of Completion for the 2025 Street Rehab Project (PWP-00132).
  3. Authorize the City Clerk to file a Notice of Completion with the County Recorder.
- 

## BACKGROUND

The 2025 Pavement Preservation Project was the culmination of a multi-year planning effort rooted in the City's Pavement Management Program (PMP). The City Council initially identified the project locations via Resolution 4617 on October 24, 2022. Following a competitive bidding process, the City Council awarded the construction contract to Argonaut Constructors, Inc. on June 23, 2025.

The project was designed to preserve the City's roadway assets through cost-effective surface treatments and to ensure compliance with federal accessibility standards. Construction commenced in the summer of 2025 and reached substantial completion in December 2025.

## DISCUSSION AND ANALYSIS

The project involved extensive maintenance and rehabilitation work across **27 street segments totaling 7.2 miles** of roadway.

### Project Accomplishments

- **Asset Preservation:** Applied rapid-setting slurry seal and crack sealing to 7.2 miles of City streets to extend service life.

- **Accessibility Upgrades:** Constructed **17 new ADA-compliant curb ramps**, removing physical barriers and advancing the City's ADA Transition Plan.
- **Infrastructure Rehabilitation:** Completed the rehabilitation of the **City Hall parking lot**, funded through in-lieu parking fees.
- **Strategic Repairs:** Performed **14,422 square feet of full-depth pavement patching** to address localized structural failures before surface sealing.

### Challenges and Slurry Seal Deficiencies

The primary challenge encountered during the project's final phase involved the application of the slurry seal during late-season weather transitions. While the project is in substantial compliance with the Plans and Specifications, several material defects were identified during the final inspection. These deficiencies have been documented on an agreed-upon "**Watch List**" and include:

- **North Harbor Drive:** Documentation of slurry deficiencies, delamination, and deterioration along the roadway edges.
- **Airport Road:** Small area of slurry settlement noted in the westbound lane.
- **Laurel Street:** Isolated slurry spots identified along the 400 block.
- **Chestnut Street:** Small area of exposed roadway surface located at 312 Chestnut.
- **Concrete Work:** Minor lip edges remaining at the Livingston/Willow and Glass Beach/John Cimolino curb and gutter locations.

### Justification for Acceptance

A point of contention in this closeout has been the identified slurry seal deficiencies, specifically the delamination and edge deterioration on North Harbor Drive, as well as other small areas noted above. While the Council's reluctance to accept the project given these material defects is noted, formal acceptance of the Certificate of Completion activates strong financial protections in the form of a Maintenance Bond.

Under Section 9.2.5.4 of the contract, the 10% Maintenance Bond—valued at approximately \$196,814 based on the original contract of \$1,968,141.90—is secured upon acceptance. By accepting completion now, the City secures a financial guarantee that can be called upon if the contractor fails to perform required repairs.

Best practices and specific provisions in our contract documents provide that accepting the certificate is the most effective way to ensure repairs happen. Section 10.3.5 Non-Waiver of Rights, acts as a "Safety Net," providing legal protection as none of the provisions regarding acceptance or final payment relieve the contractor of responsibility for "faulty materials or workmanship". Furthermore, Section 11.5.2 explicitly states that "neither acceptance... nor any verbal statements... shall operate as a waiver or modification of any provision of the Contract Documents," including the right to damages.

Finally, the Warranty Agreement Addendum signed on January 20, 2026, provides a specific, enforceable commitment from Argonaut Constructors, Inc. to address all items including but not limited to those documented on the "Watch List" and provides specific deadline to do so. All parties have concurred that these items will undergo a formal review in June 2026, allowing for proper scheduling and execution of repairs during a suitable weather window. Per Section 8.14 of the contract, any work corrected or replaced during the warranty period receives an additional one-year guarantee extension from the date of the satisfactory repair. Therefore, the required rework on Harbor Drive, Airport Road, etc. will be protected by a warranty extending well into the 2027 construction season.

The risk of non-issuance of a Certificate of Completion or non-payment is substantial. Non-payment after substantial completion on public projects triggers prompt payment penalties including interest accrual, attorney fees, and legal remedies for contractors like suspension of work or bond claims. It constitutes a material breach, allowing contractors to stop work, and risks further liability for the public entity:

If a public entity fails to timely pay retention it is subject to a penalty of 1.5% per month. In an action for collection of the amount wrongfully withheld, the prevailing party is entitled to recover its reasonable attorney’s fees and costs. (Civ. Code §3320)

**FISCAL IMPACT/FUNDING SOURCE**

Funding for this project was provided through a combination of the City’s Special Street Sales Tax, LPP formulaic funds, in-lieu parking fees, and a one-time \$1,200,000 LPP incentive allocation made possible by the 2023 renewal of the local street tax. The table below shows the project budget and actual project expenditures for all phases.

<b>Programmed Project Cost Details 2025 Pavement Preservation Project</b>				
<b>Funding Source(s):</b>	<b>FY 25/26 BUDGET</b>			
	<b>Prof. Services</b>	<b>Construction</b>	<b>Const. Support</b>	<b>Total</b>
<b>250- Special Sales Tax</b>	\$ 222,500.00	\$ 639,882.00	\$ 222,500.00	\$ 1,084,882.00
<b>LPP- F</b>		\$ 400,000.00		\$ 400,000.00
<b>Incentive Funds (LPP)</b>		\$ 1,200,000.00		\$ 1,200,000.00
<b>In-Lieu Parking</b>		\$ 37,618.00		\$ 37,618.00
<b>Total Project Cost:</b>	<b>\$ 222,500.00</b>	<b>\$ 2,277,500.00</b>	<b>\$ 222,500.00</b>	<b>\$ 2,722,500.00</b>

<b>2025 Pavement Preservation</b>				
		<b>Original Amounts</b>	<b>CCO Totals</b>	<b>Actual Expenditure</b>
<b>Design</b>	Lumos	\$ 222,941.00	\$ 20,800.00	\$ 243,741.00
<b>Construction Management</b>	Lumos	\$ 300,000.00	\$ 40,000.00	\$ 340,000.00
<b>Construction</b>	Argonaut	\$ 1,968,141.90	\$ 125,645.64	\$ 2,093,787.54

			Actual Project Cost	\$ 2,677,528.54
--	--	--	---------------------	-----------------

Over/Under \$ 44,971.46

**ENVIRONMENTAL ANALYSIS:**

The project was categorically exempt under CEQA Section 15301(c), which applies to the repair and maintenance of existing streets and sidewalks.

**STRATEGIC PLAN/COUNCIL PRIORITIES/GENERAL PLAN CONSISTENCY**

This project directly supports **Strategic Plan Goal 2F**, which mandates the maintenance of resilient and walkable streetscapes. It also aligns with the **General Plan** policy to improve east-west arterials.

**ALTERNATIVES:**

The Council could direct staff to withhold acceptance until all "Watch List" items are corrected. Council may want to avoid this alternative as the current weather window is unsuitable for slurry repairs, and the City's interests are protected by the executed Warranty Letter Agreement and the 10% Maintenance Bond.

**ATTACHMENTS:**

1. Notice of Completion
2. Certificate of Completion
3. Warranty Agreement Letter