



CITY COUNCIL STAFF REPORT

TO: City Council

DATE: June 22, 2026

DEPARTMENT: Public Works/Engineering

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

PRESENTER: Kevin McDannold, Engineering Technician

AGENDA TITLE: Receive Report and Consider Adoption City Council Resolution Awarding the Raw Water Line Replacement Project, City Project No. WTR-00016, to Mercer-Fraser Company as the Lowest Bid, Authorizing City Manager to Execute Contract (Amount Not To Exceed \$4,614,581.00), Subject to an Existing Mitigated Negative Declaration

RECOMMENDATION

Staff recommends that the City Council:

1. **Adopt the Resolution awarding the Raw Water Line Replacement Project to Mercer-Fraser Company** as the lowest responsible bidder, including all four additive alternates, for a total contract amount of \$4,614,581; and
 2. **Authorize the City Manager to execute the construction contract.**
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BACKGROUND

The Raw Water Line Replacement Project (WTR-00016) was originally awarded in February 2024 to T&S Construction for \$5.96 million. Construction proceeded for approximately 1.5 seasons; however, work stalled due to:

- **Unsecured easements** along Segment 3, including a reluctant landowner whose concerns centered on the pipeline alignment crossing forested terrain rather than the existing haul road.
- **Outstanding Lake and Streambed Alteration Agreements (LSAAs)** with the California Department of Fish and Wildlife (CDFW), which prevented work in segments regulated by proximity to waterways.
- **Seasonal construction restrictions** imposed by CDFW, the State Water Board, Army Corps of Engineers, and Mendocino Redwood Company (JDSF).

In late 2025, the Department of Water Resources (DWR) notified the City that the project was at risk of losing its grant funding due to the **timely use of funds** requirement. On **January 27, 2026**, DWR halted all reimbursements. As a result, the City terminated the

AGENDA ITEM NO. 8C

construction and construction management contracts with T&S and SHN in February 2026.

Simultaneously, City staff worked with legislative partners to restore the funding. In April 2026, DWR notified the City that it would recommend reinstatement of the grant to the Department of Finance. The **State Budget of June 15, 2026** reauthorized expenditures, restoring **\$5,104,392.55** in available construction funding.

During this same period, the City resolved the remaining project barriers:

LSAA Status

- **Men 49514** (Hare Creek & Covington Gulch)
 - Issued January 9, 2026
 - Escrow agreement executed June 11, 2026
 - Covers:
 - Hare Creek pipeline replacement (dewatering + hand excavation)
 - Covington Gulch debris removal (881.5 cubic feet of debris)
- **Men 31384** (Six Encroachments Along Pipeline Corridor)
 - Draft issued May 28, 2026
 - Final issuance expected late June 2026
 - Covers excavation, dewatering, backfill, compaction, and culvert armoring

Easements

The final outstanding easement in Segment 3 was renegotiated by shifting the pipeline alignment onto an existing haul road. The landowner has agreed to execute the easement by the end of June 2026.

Design Adjustments

Lumos & Associates performed additional surveying and proposes to perform the remaining redesign work to support the revised alignment. A separate agenda item addresses their contract amendment.

With permits issued, easements secured, and funding reinstated, the project is now fully constructible for the 2026 summer season.

DISCUSSION AND ANALYSIS

Bid Opening

Bids were opened on **June 4, 2026**. Only one timely bid was received:

Bidder	Base Bid	Base + Alternates
Mercer-Fraser Company	\$4,039,581	\$4,614,581

A second contractor attempted to submit a bid but it arrived after the deadline and the City Clerk rejected it as untimely.

Immaterial Bid Irregularity

Mercer-Fraser's bid acknowledged Addenda 1 and 2 but **did not list Addendum 3** on the bid form. The City may waive bids failure to list Addendum 3 as long as the discrepancy is inconsequential:

- Addendum 3 did **not** materially change quantities, scope, or pricing.
- Mercer-Fraser demonstrably received Addendum 3 (email distribution + planholder log).
- No other timely bids were submitted.
- The omission is therefore **immaterial** and may be waived.

Readiness to Proceed

All major constraints that halted the prior contract have now been resolved:

- LSAA 49514 issued
- LSAA 31384 pending final issuance but approved in draft
- Final easement execution scheduled
- Biological monitoring requirements understood and implementable
- Construction window (June 15–October 15) aligns with permit conditions

The project is ready for immediate mobilization upon award.

FISCAL IMPACT/FUNDING SOURCE

The reinstated DWR grant provides **\$5,104,392.55** for construction. The Mercer-Fraser bid (including all alternates) totals **\$4,614,581**, leaving a remaining balance of **\$489,811.55** for contingencies and construction management.

The project is funded through the reinstated **DWR Urban & Multibenefit Drought Relief Grant**. Awarding the contract to Mercer-Fraser for **\$4,614,581** is fully within the available grant balance.

No General Fund impact or water enterprise fund impact for this portion of the project.

ENVIRONMENTAL ANALYSIS:

A Mitigated Negative Declaration (MND) was adopted by the City Council on May 23, 2022. The rebid and contract award have been evaluated and do not materially alter the project or introduce new environmental impacts. In fact, the realignment of a portion of the easement away from forested area to an existing haul road will reduce environmental impacts. No additional CEQA action is required.

STRATEGIC PLAN/COUNCIL PRIORITIES/GENERAL PLAN CONSISTENCY

This action supports:

Goal 2 – Implement Resilient Infrastructure and Encourage Environmental Stewardship

- Ensures long-term water supply reliability
- Advances climate-ready infrastructure
- Protects aquatic resources through LSAA compliance

Goal 6 – Champion a Sustainable Municipal Organization

- Demonstrates responsible grant management
- Ensures continuity of critical capital projects

COMMUNITY OUTREACH

- Project website
- Bid documents publicly advertised
- LSAA permitting included coordination with CDFW, JDSF, and affected landowners
- Easement negotiations conducted directly with property owners

ALTERNATIVES:

1. Reject all bids and rebid the project

- Would delay construction until 2027
- Risks violating grant timelines
- Not recommended

2. Negotiate a contract under FBMC 3.22.070(D)

- Legally permissible but unnecessary given the City Attorney's determination
- Could create perception of reduced transparency
- Not recommended

3. Award the contract to Mercer-Fraser (Recommended)

- Lowest responsible bidder
- Bid irregularity is immaterial
- Project is time-sensitive due to seasonal restrictions and grant deadlines

ATTACHMENTS:

1. Draft Resolution
2. Bid Opening Summary
3. Mercer-Fraser Construction Contract

NOTIFICATION:

1. Mercer-Fraser Company
2. DWR Grant Manager