



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 the Certificate of Completion for the 2022 Streets Rehabilitation Project (Project No. PWP-00120)

RECOMMENDATION

1. Receive the project completion report.
 2. Accept the Certificate of Completion for the 2022 Streets Rehabilitation Project.
 3. Authorize the City Clerk to file a Notice of Completion with the County Recorder.
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BACKGROUND

The 2022 Streets Rehabilitation Project was designed to address critical infrastructure needs identified in the 2017 Pavement Management Program. Following a competitive bidding process, the City Council awarded the construction contract to Argonaut Constructors in July 2023 for an initial amount of \$3,611,831.45. Construction management services were provided by SHN. Design Services were provided by R.E.Y. Engineers.

The project scope included approximately 1.4 miles of pavement preservation (Slurry seal), 0.4 miles of new pavement, three miles of striping, ADA curb ramp upgrades, and significant safety improvements along the Harold Street corridor. During the course of construction, the project faced challenges from severe weather in 2022 and 2023, which accelerated the failure of South Franklin Street and necessitated additional dig-out repairs approved via Change Order #7. Furthermore, design errors required the redesign and reconstruction of the Oak and Harold intersection, which was completed as Change Order #11, alongside the 2025 Streets Project. Following project substantial completion (October 2024), issues with the slurry seal application on Franklin Street became apparent, corrections for which are scheduled in summer 2026 under warranty.

DISCUSSION AND ANALYSIS

The contractor has now completed all primary work items as specified in the contract. **Key accomplishments of the project include:**

AGENDA ITEM NO. 8D

- **Pavement Rehabilitation:** Restoration of 5 blocks of City streets (2,500 linear feet) using Hot Mix Asphalt (HMA), benefiting approximately 50 homes and businesses.
 - Boatyard Drive from Boatyard shopping center entrance to Highway 20
 - 100 Block of East Chestnut
 - 500 Block of S. Harold Street
 - 100-200 blocks of West Fir Street

- **Maintenance Treatment on Franklin:** Slurry Seal was applied to 350,000 square feet (roughly 1.4 miles or 14 blocks) of roadway to extend pavement life. The slurry seal bid price on this contract was only \$0.55 per square foot, so the total cost for Franklin Street was \$191,202.00, a very small portion of the total \$3.9 Million dollar contract. When compared to approximately \$143,000 per block for full asphalt reconstruction, this maintenance treatment is highly cost-effective when applied at the correct point in a pavement life cycle. Significant dig out and repair surface preparation was done on Franklin Street in advance of the slurry application.

- **Safety Improvements:** Installation of high-visibility crosswalks, bulb-outs, and drainage improvements, specifically targeting pedestrian safety in school zones.
 - ADA Curb Ramps: The project upgraded and installed 19 ADA-compliant curb ramps to ensure the City meets modern accessibility standards.
 - Bulb-outs and Drainage: 4 bulb-outs were constructed at the Oak and Harold intersection to reduce pedestrian crossing distances and improve visibility. This included installing 30-inch nyloplast drain basins and 708 linear feet of HDPE plastic pipe to improve corridor drainage.
 - High-Visibility Crosswalks: The project replaced decorative crosswalks in the Central Business District and installed 738 square feet of ladder-style high-visibility crosswalks along the Harold Street corridor.

- **Traffic Striping and Roadway Markings:** Comprehensive removal and replacement of roadway markings at all rehab locations plus eight additional prioritized segments.
 - Traffic Striping: The project removed and replaced 56,849 linear feet (over 10 miles) of traffic stripes across the city.
 - Roadway Markings: New markings were applied to approximately 3.5 miles of streets, including collectors, arterials, and school zones. This

included 16,480 square feet of thermoplastic markings such as stop bars and school crossing decals.

- Safety Painting: Over 3,300 square feet of red curb paint was applied to improve parking management and visibility at intersections.

Justification for Acceptance.

A point of contention in this closeout has been the delamination of the slurry seal on North Franklin Street. While the Council's reluctance to accept the project given these deficiencies is noted, formal acceptance of the Certificate of Completion is the necessary legal trigger to activate the City's strongest financial protection.

Under Section 9.2.5.4 of the contract, the 10% Maintenance Bond (valued at approximately \$361,183) is based on the original contract of \$3,611,831.45. By accepting completion now, the City secures a massive financial guarantee that can be called upon if the contractor fails to perform.

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.

Furthermore, the Warranty Agreement Addendum signed on January 20, 2026, provides a specific, enforceable commitment from Argonaut Constructors to correct all identified distress areas by September 30, 2026. 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 satisfactory repair. Therefore, the rework on Franklin Street will be protected by a warranty extending through 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

The final construction cost for Argonaut Constructors is \$3,951,334.82, which includes \$339,503.37 in net changes from change orders. The total project cost, including design

and construction management, is \$4,410,434.82. This was funded through a combination of:

- Special Street Sales Tax (Fund 250).
- Road Maintenance and Rehabilitation Account (RMRA) Local Partnership Program.
- Highway Safety Improvement Program (HSIP).
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA).

Budget Fund Sources		
BUDGET	Local Partnership Program	\$ 600,000.00
	Fund 250, Special Sales tax - Street Repair	\$ 3,166,233.00
	D1 - Grant	\$ 206,405.00
	Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)	\$ 162,000.00
	Highway Safety Improvement Program (HSIP)	\$ 248,130.00
	TOTAL BUDGET	\$ 4,382,768.00

Project Costs		
PROJECT DEVELOPMENT/SUPPORT	Actuals	
<u>Design</u>		
R.E.Y. Design Engineers	\$	296,400.00
<u>Construction Management</u>		
SHN Consulting Engineers & Geologists, INC	\$	231,900.00
<u>Construction</u>		
Argonaut Constructors Contract Amount	\$	3,951,334.82
 <u>CONSULTANT CONTRIBUTIONS (Repayment)</u>		
	SHN	\$ 44,600.00
	REY	\$ 24,600.00
Oak and Harold Issue Correction	\$	69,200.00
TOTAL PROJECT COST	\$	4,410,434.82

Over/Under \$ (27,666.82)

The City utilized its "Self-Help" status to leverage the Special Street Sales Tax to secure state RMRA Local Partnership Program funds and federal HSIP safety grants, ensuring that local tax dollars were multiplied by state and federal contributions. Notably, the City successfully negotiated \$69,200 in repayments from the design and CM consultants to offset the costs associated with the Oak and Harold redesign errors. Below is a full snapshot of project budget and costs.

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

The project is consistent with VisionMendocino2030 by supporting the long-term utility of existing infrastructure. The use of special sales tax and RMRA funds is directly aligned with their voter-approved purpose of repairing and maintaining City streets.

The project directly advances **Goal 2: Implement Resilient Infrastructure and Encourage Environmental Stewardship** by maintaining resilient and walkable streetscapes that provide safety for pedestrians and cyclists through the installation of bulb-outs and high-visibility crosswalks. Additionally, the project demonstrates a commitment to **Goal 5: Fund our Future with Financial and Fiscal Responsibility** by successfully leveraging diverse state and federal grant sources and proactively negotiating consultant repayments to ensure contract accountability and fiscal value reflected in the recovery of \$69,200 from design and CM consultants for project errors.

ALTERNATIVES:

Delay Acceptance until Rework is Completed in Summer 2026. Council may choose to withhold acceptance until the contractor completes the rework this summer. However, Council may not want to avoid this alternative for the following reasons:

- **Contractual Limbo:** Until the project is formally accepted, the City cannot officially access the 12-month maintenance bond or the extended warranty protections for corrected work.
- **Performance Risk:** Remaining in a state of 'substantial completion' for an additional six months creates legal ambiguity regarding the contractor's insurance and bond renewals, potentially weakening the very securities the City relies on to ensure the remediation occurs.
- **Enforcement Leverage:** Formal acceptance 'locks in' the contractor and their surety, providing the Public Works Department with the clearest legal path to perform the

work itself and back-charge the contractor's bond if the September 30, 2026, deadline is missed.

ATTACHMENTS:

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