



Agenda Item: 10.B
Date of Meeting: March 23, 2026
Department: Public Works

STAFF REPORT

To: City Council
From: Ethan Aukee
Subject: **Award of Construction Contract, Approval of Interfund Loan, and Budget Adjustment for the West Line Street Water Main Project (Contract No. 26-PW-01)**
Prepared On: March 17, 2026
Attachments: Resolution Approving Interfund Loan from General Fund to Water Fund for the West Line Street Water Main Project
Interfund Loan Amortization Schedule
AGREEMENT FOR CONSTRUCTION SERVICES_West Line Water

Background/History:

The West Line Street Water Main Project will replace aging water infrastructure and improve the reliability of the City's water distribution system. The project includes replacement of the existing steel water main along West Line Street (State Route 168) between Home Street and Main Street (US 395), which has reached the end of its service life. The project also includes installation of new isolation valves between Well 4 and Northern Inyo Hospital, allowing sections of the system to be isolated for maintenance or emergency repairs while maintaining continuous service to the hospital—an operational capability that does not currently exist.

In addition, the project includes installation of new water meters along the corridor as part of a pilot program to evaluate meter brands and software platforms prior to a potential citywide meter replacement. This pilot will allow staff to assess performance, reliability, and data management capabilities before broader implementation.

The project is being constructed at this time to replace and protect water infrastructure located beneath State Route 168 in advance of Caltrans' planned roadway repaving later this year, avoiding future disturbance of new pavement and allowing coordination with the State's project.

To fund the project, staff recommends use of an interfund loan from the General Fund to the Water Fund. This approach allows the City to advance the project without external debt issuance while maintaining project timing. The loan will be repaid by the Water Fund over time based on a structured repayment schedule supported by water system revenues.

Analysis/Discussion:

The project plans were approved on February 9, 2026, and the project was advertised for bids on February 10, 2026. Addendum No. 1 was issued on March 5, 2026 to respond to bidder questions and clarify portions of the bid documents. Sealed bids were received until 2:00 PM on March 12, 2026, at which time they were publicly opened and read aloud.

The City received four bids for the project, as summarized below:

Contractor Name	Location	Bid Amount
R. Sutton Enterprises	Vallecito, CA	\$1,846,315.00
DG Construction, Inc.	Clovis, CA	\$2,313,710.00
Q&E Pipeline Company	Pomona, CA	\$2,528,830.00
White Rock Construction	Gardnerville, NV	\$3,489,170.00

The apparent low bid submitted by R. Sutton Enterprises was reviewed and determined to be non-responsive. The bid submitted by DG Construction, Inc. was reviewed for completeness and compliance, including the bid proposal, bid security, subcontractor listing, and required certifications, and was found to be complete, mathematically correct, and responsive to the contract documents. Based on this review, DG Construction, Inc. is the lowest responsive and responsible bidder with a total bid of \$2,313,710.00. The Engineer's estimate for the project was approximately \$2,000,000.00, and the recommended bid exceeds the estimate by \$313,710.00.

The bid documents specify award to the lowest responsive and responsible bidder, and no local contracting preference was applied to this project. Required approvals include an encroachment permit from the California Department of Transportation (Caltrans) for work within State Route 168 right-of-way, as well as approval from the State Division of Drinking Water for a Waterworks Separation Standards Waiver, which has been obtained.

Impacts to Council Goals and Strategic Planning Priorities:

This project is included in Objective 3.3 of the City's Strategic Plan.

Budget Impacts:

The Water Fund budget currently includes \$1,000,000.00 for the project within capital expense account 004-050-56027. The FY 2025-26 budget and the City's Strategic Plan contemplated split project funding between existing cash reserves and debt, with approximately \$1,500,000.00 to be financed. This amount was intentionally excluded from the adopted budget to allow for separate Council approval of financing and a corresponding budget adjustment.

To fully fund the project, a budget adjustment is required to increase capital expense account 004-050-56027 by \$1,429,395.00, representing the proposed interfund loan. This results in a total project appropriation of \$2,429,395.00, consistent with the not-to-exceed project authorization and inclusive of \$1,000,000.00 in existing Water Fund cash and \$1,429,395.00 in interfund financing.

The interfund loan itself is a balance sheet transaction and does not require a budget adjustment. Principal repayments will not impact the operating budget. Interest expense in the Water Fund and interest revenue in the General Fund will be budgeted in future fiscal years in accordance with the approved amortization schedule.

Legal Review:

City Attorney Pucci has reviewed this item and finds that the recommended action complies with the law.

Recommended Action:

Council consideration to adopt a resolution approving an interfund loan from the General Fund to the Water Fund for the West Line Street Water Main Project, approve a budget adjustment to the Water Fund capital expense account, award a construction contract to DG Construction, Inc. (Contract No. 26-PW-01) in the amount of \$2,313,710.00, authorize the City Administrator to execute the contract documents, and authorize an owner-controlled construction contingency of \$115,685.00 for a total project authorization of \$2,429,395.00.

Approved By: Ethan Aukee 3/18/2026

Approved By: Pam Foster 3/19/2026

Approved By:

Approved By: