



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: NOVEMBER 13, 2023

SUBJECT: FIND G. HURTADO CONSTRUCTION, INC. IN DEFAULT OF THE CONTRACT FOR THE CONSTRUCTION OF THE BROCKTON AVENUE WATER MAIN REPLACEMENT PROJECT – BID NO. RPU-7816

ISSUE:

Consider finding G. Hurtado Construction, Inc. in default of the Contract for the Construction of the Brockton Avenue Water Main Replacement Project – Bid No. RPU-7816

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Find G. Hurtado Construction, Inc. in default of the Contract for the Construction of the Brockton Avenue Water Main Replacement Project – Bid No. RPU-7816, as required by the Contract documents;
2. Authorize the City Manager, or designee, to terminate G. Hurtado Construction, Inc.'s right to perform under the Contract by issuing a written notice of termination for default to the Contractor and its Surety, United States Fire Insurance Company; and
3. Authorize City Manager, or designee, to execute any agreements or documents necessary to carry out the contract termination and effectuate the completion of the project, including documents and agreements needed to carry out the Surety's obligations under the contract and performance bond.

BACKGROUND:

On August 23, 2021, the Riverside Board of Public Utilities (Board) awarded a construction contract (Contract) to G. Hurtado Construction, Inc. (Hurtado) in the amount of \$1,723,260 for the construction of the Brockton Avenue Water Main Replacement Project. This project is part of Riverside Public Utilities' (RPU) ongoing water main replacement and water loss program to replace high priority waterlines and involves the construction of approximately 3,300 linear feet of 12-inch ductile iron pipe, 600 linear feet of 8-inch ductile iron pipe, 48 water services, and 3 fire hydrants, along with all necessary fittings, appurtenances, and related incidental work.

The Contract with Hurtado was executed on October 19, 2021, and staff issued the Notice to Proceed on October 27, 2021, which assigned the official start date of construction as November

8, 2021. The Contract provides 210 calendar days to complete the work for a completion date of June 6, 2022.

Hurtado encountered delays throughout the project to obtain materials in a timely fashion and to perform the work within the allotted time. Recognizing the challenges related to procuring certain products and materials because of the COVID-19 pandemic, several time extensions were offered in good faith. However, Hurtado ultimately was unable to complete the project, and on June 29, 2023, Hurtado abandoned the project with approximately half of the work incomplete (388 calendar days beyond the original completion date). Hurtado notified RPU of their desire to terminate the Contract effective June 29, 2023, in an email received by RPU's Project Manager dated June 27, 2023.

DISCUSSION:

As required of all City of Riverside (City) Contracts for Public Works Construction, the Contract requires that Hurtado purchase a Performance Bond and a Payment Bond as a measure to protect the City if Hurtado is unable to complete the work. If Hurtado defaults on the Contract, the Performance Bond ensures that the work is still completed through a surety while the Payment Bond ensures that vendors and subcontractors are paid for the supplies and work provided for the project, also through a surety. Payment Bonds are required by state law.

Upon learning of Hurtado's default, RPU initiated discussions with the surety, United States Fire Insurance Company (Surety), to formalize a strategy to complete the project. However, as a provision of the Contract, the awarding authority must first find Hurtado in default of the Contract and terminate Hurtado's right to perform under the Contract by issuing a written notice of termination for default to Hurtado and its Surety before the Surety can intervene.

Section 1202(b) of the Riverside City Charter provides that the Board of Public Utilities (Board) shall have the power and duty to "Authorize, and let public works contracts in compliance with Section 1109, within the limits of the budget of the Department of Public Utilities, any purchase of equipment, materials, supplies, goods or services, or any acquisition, construction, improvement, extension, enlargement, diminution, or curtailment of all or any part of any public utility system when the amount exceeds \$50,000...". Therefore, as the awarding authority for the Contract, the Board must find Hurtado in default of the Contract to proceed with the process.

City crews completed the system connections needed to connect the pipelines installed by Hurtado to RPU's water system between Fourteenth Street and Tenth Street. Using its Paving Contractor Panel, RPU intends to undertake the final paving along Brockton Avenue for this segment to minimize inconveniences to businesses and motorists in the area.

Under the contract terms, the Surety is obligated to assume responsibility for completing the project. Therefore, staff will seek to recover the costs of completing the project, including any additional costs resulting from Hurtado's default on the contract, from the Surety through the performance bond. Although the Surety's approach for completing the work is not yet known, some potential options may involve the Surety partnering with a contractor meeting the original contract requirements to complete the work or requesting that the City complete the remaining work and entering into a reimbursement agreement to cover any additional costs. Staff will be able to discuss and formalize a strategy to complete the work with the Surety once a written notice of termination for default is issued.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 6 - Infrastructure, Mobility and Connectivity** and **Goal 6.2** – Maintain, protect, and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – A public facing project website was deployed for this project conveying key information about the project to the community.
2. **Equity** – RPU endeavors to provide safe and reliable water service to all its customers. Since RPU's water system is an interconnected network, investments made to individual parts of the system improve the reliability of the overall system, thereby providing an equitable benefit to all customers.
3. **Fiscal Responsibility** – The lowest price for these construction services was ensured through a competitive bidding process.
4. **Innovation** – A collaborative and innovative approach was used to relocate the conflicting water facilities in such a way to minimize potential disruptions to the community in the future.
5. **Sustainability & Resiliency** – This project will help ensure RPU can provide reliable water service to its customers.

FISCAL IMPACT:

There is no fiscal impact associated with the recommended actions; under the contract terms, the Surety is obligated to assume responsibility for completing the project.

Prepared by:	David A. Garcia, Utilities Assistant General Manager/Water
Approved by:	Todd M. Corbin, Utilities General Manager
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Project Site Map
2. Presentation