



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: SEPTEMBER 9, 2025

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: DAVID JACOBS, P.E., L.S., PUBLIC WORKS DIRECTOR
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TITLE: AWARD OF THE SHERWOOD RECREATION CENTER
BUILDING IMPROVEMENT, CIP 9535

RECOMMENDED MOTION:

It is recommended that the City Council approve a resolution:

1. Approving the Plans and Specifications for the Sherwood Recreation Center Building Improvement, CIP 9535;
2. Awarding a contract to Otto Construction, Inc. for the Sherwood Recreation Center Building Improvement, CIP 9535, in an amount not to exceed \$2,686,900;
3. Authorizing the Public Works Director or his designee to approve contract change orders up to an additional \$538,000, approximately 20% of the contract amount for construction contingencies; and
4. Appropriating \$3,623,602 from Community Development Block Grants (CDBG) funds to CIP 9535.

EXECUTIVE SUMMARY:

On June 4, 2025, the bid advertisement for the Sherwood Recreation Center Building Improvement, CIP 9535, was published via PlanetBids. On July 15, 2025, three (3) bid proposals were received by the City from Otto Construction Inc., Marvulli Inc., and CWS Construction Group Inc. The lowest responsive and responsible bidder, Otto Construction Inc., submitted a base bid in the amount of \$2,686,900. Staff recommends awarding the project to Otto Construction Inc. for the base bid amount of \$2,686,900 and approving an allowance of \$538,000 for construction contingencies, approximately 20% of the contract amount.

BACKGROUND:

The Old Municipal Swimming Pool Building, located at 940 N. Main Street, was built in 1949 (over 70 years ago). In 2009, after completion of the New Aquatic Center, the old swimming pool was drained, and the building was not utilized. In 2016, Council approved the initial renovation work for this building in connection with the overall plan of converting the building into a multi-

use recreational facility. The work was done in phases to accommodate funding availability and Phase I - III were completed on May 11, 2021. The Sherwood Recreation Center Phase IV project is a continuation of this renovation effort.

The City of Salinas receives and administers annual entitlement Community Development Block Grant (“CDBG”) funds from the United States Department of Housing and Urban Development (“HUD”). These funds are allocated to address community needs identified in the City’s 2020–2024 Consolidated Plan (the “Plan”). Sherwood Recreation Center was identified in this Plan as a priority capital improvement project aimed at enhancing recreational opportunities and community well-being. The Project is fully funded through HUD CDBG funds, as previously authorized by City Council through the HUD FY 2021-22, 2022-23, 2023-24, and 2024-25 Annual Action Plans and associated Substantial Amendments.

On July 20, 2023, the City’s Community Development Department approved proposals related to Sherwood Recreation Center Phase IV, and CSG Consultants, Inc. initiated service provision under an executed agreement. City staff submitted the Request for Release of Funds and Certification to HUD on January 30, 2025, in compliance with federal NEPA environmental review and grant administration requirements. Subsequently, on March 7, 2025, HUD issued the Authority to Use Grant Funds, officially authorizing the City to proceed with construction-related activities. Following this authorization, City staff released the project bid package on June 4, 2025, advancing the project toward the construction phase in alignment with HUD requirements and local procurement procedures.

City Engineer approved the project plans and specifications and authorized the call to bids for the project with a bid submittal date of July 15, 2025.

On July 15, 2025, bid proposals were received by the City, publicly opened and read via a Zoom meeting with the following results:

BID RESULTS	
CONTRACTOR	BASE BID
Otto Construction Inc.	\$2,686,900
Marvulli Inc.	\$2,866,982
CWS Construction Inc.	\$3,285,000
Engineer’s Estimate	\$2,724,077

The engineer’s estimate for the project base bid was \$2,724,077. Otto Construction, the apparent low bidder, submitted a base bid of \$2,686,900, below the engineer’s estimate.

Based on the proposals received, staff recommends awarding the project to the apparent lowest, responsive and responsible bidder, Otto Construction, in an amount not to exceed \$2,686,900. Staff anticipate \$538,000 in construction contingencies, approximately 20% of the contract amount. The total project costs are estimated at \$3,674,900.

On July 18, 2025, City received a letter of advisement (via email – attached herewith) from Sheet Metal Workers’ Local Union No. 104 advising careful review of the Otto Construction’s bid due to the listing of B&M Civil, LLC (“B&M”) as the HVAC subcontractor. Said letter provided penalty assessment notices for B&M from the Department of Industrial Relations for violations to

labor code section 1771, 1774, and 1777.5 which were rectified. City staff notified the prime contractor, Otto Construction, of B&M’s violations. Otto Construction provided the City with a letter (attached herewith) ensuring that Otto Construction will oversee B&M and enforce labor compliance and safety requirements throughout the project.

City staff reviewed the Contractors State License Board (CSLB) license and Department of Industrial Relations (DIR) registration of all contractors listed, including B&M, and found no issues identified by either agency. Furthermore, B&M is not listed in the Labor Commissioner’s Division of Labor Standards Enforcement (DLSE) debarments list provided on the DIR website. City staff also contacted various awarding agencies listed in the DIR violations for information on B&M and found no issues in construction.

Pursuant to Salinas Municipal Code section 12-21, the City is required to award the contract to the lowest responsible bidder. A responsible bidder is one who is able to perform the contract, if awarded. To be considered responsible, the bidder must demonstrate the attributes of trustworthiness, quality, fitness capacity, and experience to satisfactorily perform the proposed work. The Council is required to evaluate Otto Construction, Inc. against these criteria. While there has been correspondence submitted regarding one of Otto’s proposed subcontractor, no such correspondence has been submitted regarding Otto. The City is unaware of any information that demonstrates Otto is not a responsible contractor, i.e., the City is not aware of any information that calls into question the ability of Otto to satisfactorily perform the proposed work. Thus, City staff recommends awarding the project to the apparent lowest, responsive, and responsible bidder, Otto Construction, in an amount not to exceed \$2,686,900.

Should Council determine Otto to not be a responsible bidder, the Council must provide Otto an opportunity to be heard and the Council must articulate how Otto does not meet the attributes of a responsible bidder (trustworthiness, quality, fitness, capacity, and experience to satisfactorily perform the proposed work). Council should also be aware that if the City is found to have improperly awarded a bid to any bidder other than the lowest responsible bidder, the City may be liable for reimbursing the low bidder’s actual cost in submitting the bid.

The City Council may determine it best to reject all bids and to restart the process.

Construction for Base Bid is anticipated to begin in Fall 2025.

ANTICIPATED COSTS	
Description	Anticipated Expenditure
Otto Construction Base Bid	\$2,686,900
Contingency (20%)	\$538,000
Direct Project Cost Subtotal	\$3,224,900
Administrative Overhead	\$50,000
Inspection and Labor Compliance	\$270,000
City Staff Project Management and Admin.	\$130,000
Soft Project Cost Subtotal	\$450,000
TOTAL PROJECT COSTS	\$3,674,900

CEQA/NEPA CONSIDERATION:

The Sherwood Recreation Center Building Improvement CIP 9535 includes operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use, qualifies as a Class 1 Categorical Exemption (Section 15301a) under the California Environmental Quality Act (CEQA). A “Notice of Exemption” was filed at the Monterey County Recorder’s Office on January 7, 2025.

A National Environmental Policy Act (NEPA) review was completed for Phase IV work was completed on January 10, 2025. The project was determined to be Categorically Excluded per 24 CFR 58.35(a), subject to laws and authorities at 58.35(a)(1).

This project meets the CDBG HUD National Objective of Low-Moderate Area (LMA) benefit, 570.208(a)(1) where the project would benefit at least 51% of the residents in the service area (of the project) that are of Low-Moderate Income (LMI).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No, because this project and contract were competitively bid.

STRATEGIC PLAN INITIATIVE:

This project addresses the current City Council’s Goals of Youth and Seniors, Infrastructure, and Public Safety.

DEPARTMENTAL COORDINATION:

The process of administering this project involves Public Works, Library and Community Services, Community Development, Finance, and Legal Departments.

Public Works Department will be managing the project with activities that include construction management, labor compliance, and inspection services during construction. The project is a CIP for the Library and Community Services Department and is entirely funded with CDBG funds which is being administered by the Community Development Department. Finance Department manages the proper disbursement of funds and is involved with the reporting requirements of the CDBG funds, and Legal Department reviews pertinent documents/contracts to ensure compliance with applicable laws and regulations. Thus, staff from these Departments are very actively involved with the development and execution of this project

FISCAL AND SUSTAINABILITY IMPACT:

Currently, there is only \$51,298.43 available and appropriated in CIP 9535. The project requires the allocation of CDBG operating budget to CIP Project 9535 to proceed with the Sherwood Recreation Center Building Improvement Project.

Fund	CIP No.	Appropriation	Appropriation Name	Total Appropriation	Amount for recommendation	FY 25-26 Operating Budget Page	Last Budget Action (Date, Resolution)
2910	n/a	30.3240-63.5010	Professional Services	\$273,592.44	\$273,592.44	n/a	05/11/21, 22088; 06/21/22, 22397; 05/16/23, 22658; 05/14/24, 22973
2910	n/a	30.3240-66.3600	Capital Outlays – Bldg Construction	\$3,921,173.34	\$3,350,009.13	n/a	6/11/24, 22979
1000	9535	55.9535-63.6010	Outside Services	\$3,172.36	\$3,172.36	n/a	n/a
1000	9535	55.9535-66.3000	Capital Outlays Bldg. Improvements	\$2,549.46	\$2,549.46	n/a	n/a
1000	9535	55.9535-64.4000	Capital Outlays Improvements	\$45,576.61	\$45,576.61	n/a	n/a
2910	9535	55.9535-61.1100	Salaries & Benefits	\$0.00	\$400,000.00	n/a	n/a
2910	9535	55.9535-64.1000	Administrative Overhead	\$0.00	\$50,000.00	n/a	n/a
2910	9535	55.9535-66.4000	Capital Outlays Improvements	\$0.00	\$3,224,900.00	n/a	n/a

ATTACHMENTS:

Resolution
Bid Tab
Letter of Advise ment
Letter from Otto Construction