

Date of Hearing: May 1, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT  
Cecilia Aguiar-Curry, Chair  
AB 707 (Kalra) – As Introduced February 19, 2019

**SUBJECT:** Santa Clara Valley Water District: contracts.

**SUMMARY:** Makes changes to the formal bidding threshold for the Santa Clara Valley Water District (Valley Water). Specifically, **this bill:**

- 1) Requires any improvement or unit of work not performed by district personnel and estimated by the engineer to cost in excess of \$50,000 to be done by contract pursuant to Valley Water's formal competitive bidding process.
- 2) Allows the district's Board, by action in an open meeting, to increase the amount in 1), above, not to exceed an amount equal to 2% of the amount in effect when the action is taken, multiplied by the number of years following the operative date of the last adjustment.
- 3) Makes conforming changes.

**FISCAL EFFECT:** None

**COMMENTS:**

- 1) **Background.** Valley Water is the primary water resources agency for Santa Clara County. First formed as the Santa Clara Valley Water Conservation District in 1929, it now acts as the County's water wholesaler and the steward for its streams, creeks, underground aquifers, and district-built reservoirs. The district owns and manages 10 local surface reservoirs and associated creeks and recharge facilities, manages the County's groundwater basins and three water treatment plants, imports water from the Central Valley Project and the State Water Project, and delivers recycled water to parts of the County. Valley Water is also responsible for flood protection within the County. Its stewardship responsibilities include creek restoration and wildlife habitat projects, pollution prevention efforts, and a commitment to natural flood protection.
- 2) **Author's Statement and Bill Summary.** According to the author, "AB 707 will increase the formal bidding threshold for Valley Water to a level similar to other public agencies, such as park and open space districts and other water agencies, to deliver more cost-effective and timely public works projects with a cost of \$50,000 or less. Valley Water's formal bidding threshold was last updated more than 20 years ago. Since that time, inflation has eroded the purchasing power of the existing \$25,000 threshold to the extent that even simple projects such as erecting a fence or installing a warehouse garage door require a costly and time-consuming formal bidding process. With an updated threshold, these small projects would be subject to an informal process in which quotes are solicited from known responsible contractors and the project is awarded to the responsive and responsible contractor with the lowest bid.

“AB 707 does not change Valley Water’s force account threshold of \$5,000; and it does not affect larger public works projects that are appropriately subject to a formal bidding process. With the enactment of this bill, Valley Water can do more with existing public dollars through reduced administrative costs, faster delivery of projects, and competitive pricing delivered through a simpler bid process that affords more opportunities to small businesses without the staff resources to pursue projects through the formal bidding process. Because many women and minority owned enterprises often are smaller companies, a more diverse contractor pool is attracted for small public works projects. All these benefits would be achieved while complying with workplace safety requirements and wage and hour statutes.”

This bill is sponsored by Valley Water.

- 3) **Uniform Public Construction Cost Accounting Act (UPCCAA).** The Public Contract Code specifies the procedures that public agencies must follow when they build public works projects, including limits on project costs. The UPCCAA was enacted in 1983 as an alternative to these general requirements by allowing increased bid limits as long as participating agencies follow uniform accounting standards and bidding procedures. These bid limits are adjusted periodically, most recently just last year. A voluntary program that is available to all public entities in the State, the UPCCAA allows public projects costing \$60,000 or less to be performed by the public agency’s force account, by negotiated contract, or by purchase order. Projects costing \$200,000 or less can use informal bidding procedures set forth in the UPCCAA. Projects that cost more than \$200,000 must be put out to bid under formal bidding procedures.
- 4) **Arguments in Support.** Valley Water, sponsor of this bill, states, “By setting the cost threshold for formal bid process to a level available for other public agencies, AB 707 will help deliver Valley Water’s minor public works faster, at a lower cost, using well-established informal bidding process that protects the public interest, requires compliance with all workplace safety and wage and hour statutes, and offers more opportunities for small business and minority and women owned enterprises.”
- 5) **Arguments in Opposition.** The California Chapters of the National Electrical Contractors Association, the California Legislative Conference of the Plumbing, Heating and Piping Industry, the Northern California Allied Trades, the United Contractors, the Wall and Ceiling Alliance, and the Western Wall and Ceiling Contractors Association, in opposition, write, “If enacted, this measure has the potential to eliminate opportunities for private construction contractors to bid on the work, reduces the job potential for their workers and prevents the public from knowing if they are getting the best value for their tax dollars...The legislature addressed providing public agencies increased flexibility in construction procurement when it created the California UPCCAA which provides public agencies (on a voluntary opt-in basis) much larger competitive bidding, informal bidding and force account thresholds in exchange for a true cost accounting procedure...We would suggest that in lieu of this measure, the Santa Clara Valley Water District look at opting into the California UPCCAA.”

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Santa Clara Valley Water District [SPONSOR]  
AACI  
AFSCME Local 101  
American Federation of State, County and Municipal Employees, AFL-CIO  
Association of California Water Agencies  
California Hawaii State Conference of the NAACP  
California Municipal Utilities Association  
California Special Districts Association  
County of Santa Clara  
Engineers Society/IFPTE, Local 21  
Midpeninsula Regional Open Space District  
Professional Managers Association/IFPTE, Local 21  
San Jose/Silicon Valley Branch of the NAACP  
Santa Clara and San Benito Counties Building and Construction Trades Council  
Santa Clara Chamber of Commerce  
Santa Clara County Residents for Responsible Development  
Santa Clara Valley Open Space Authority  
The Silicon Valley Organization

**Opposition**

California Chapters of the National Electrical Contractors Association  
California Legislative Conference of the Plumbing, Heating and Piping Industry  
Construction Industry Force Account Council  
Northern California Allied Trades  
United Contractors  
Wall and Ceiling Alliance  
Western Wall and Ceiling Contractors Association

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