

Storm Drain Oversight Committee
November 1, 2006 Meeting Summary

Attendees:

SDC Members Present	SDC Members Absent	City Staff	
John Melton, Chair Stepheny McGraw Richard Whaley Rod McNall	John Tarlton, Vice-Chair	Joe Teresi Matt Raschke Amy Javelosa-Rio Matt Brunnings	Glenn Roberts Mike Sartor

Agenda Item I – Roll Call

The meeting opened with roll call at 9:07. Vice-Chair John Tarlton was absent. Joe Teresi introduced Matt Brunnings as the new Associate Engineer for storm drains and Amy Javelosa-Rio from the Budget Division of the Administrative Services Department.

Agenda Item II – Old Business

Richard Whaley moved to approve the minutes from April 24, 2006, and Stepheny McGraw seconded the motion. The minutes were approved by all members present.

Agenda Item III – Oral Communications

No members of the public requested to address the Committee.

Agenda Item IV – New Business

Joe Teresi summarized the information in the written staff reports. Joe indicated that the Committee’s concern about construction costs increasing faster than overall inflation was well-founded based on recent bid results. John Melton noted that the Storm Drain Committee gave the Finance Committee a “heads up” about the issue with their memo in April 2006, and suggested that now their goal should be to write another memo to quantify the problem. Based on the spreadsheet scenarios attached to the memo titled “Report on Capital Construction Costs and Potential Impacts on Future Storm Drain Capital Improvement Program”, John Melton noted that if the long-term rate of annual construction cost increases is 15%, then only 60% of the proposed capital work can be accomplished with the available funding.

Rod McNall asked if the cost estimates for the other proposed projects have been updated. Joe indicated that this has not been done yet. Joe also pointed out that some of the scopes of work can be adjusted to deal with the increased cost. John Melton pointed out that downsizing may not be enough to offset the impacts of higher construction costs. Glenn Roberts noted that the current implementation program is based on scope, scheduling and productivity. The “pay-as-you-go” funding approach caused some of the higher priority projects to be scheduled later in the overall program.

The Committee then discussed the timetable for presenting the issue to the Finance Committee. John Melton noted that they may want to get their recommendations to the Finance Committee before the budget preparation time crunch. Rod McNall asked about the legality of dropping projects in light of the commitments implied in the ballot measure language. John Melton answered that it was a question for the City Attorney and City Council. He noted that the role of the Committee was to bring the issue to everyone’s attention. Richard Whaley stated his belief that voters do understand the issue of increased

costs. He described the example of Palo Alto Unified School District's "Building for Excellence" bond measure that was not able to construct all that was proposed in the bond measure. Stepheny McGraw pointed out that just keeping the program moving was very important.

John Melton said that if Santa Clara Valley Water District is seeing 13% annual construction cost increases, then increases of 10 to 15% would be a good range to build a contingency plan around. The Committee brainstormed that the contingency plan could include dropping projects, scaling down projects, or identifying additional funding.

Mike Sartor noted that the San Francisquito Creek Pump Station bid results would be another good indicator of the magnitude of the cost escalation problem. Rod McNall asked if that project was still the top priority, and if it could bid sooner. Staff answered that the pump station is the top priority, but permits are still being obtained so the schedule cannot be accelerated. John Melton cautioned that we should not be spending money until the pump station and the Channing/Lincoln trunk line are built. Joe Teresi then inquired about the Clara Drive project. It is scheduled to be advertised for bids in January. John asked where its priority falls with respect to the other projects. He expressed a belief that the projects should be listed in order of priority, and that a cutoff line representing 60% of the total cost should be drawn. He noted that projects below that 60% line would be in jeopardy if the escalation of construction costs continues. The Committee then discussed the Alma Street project. Richard Whaley recommended putting Alma Street at the bottom of the priority list. John Melton agreed. Joe Teresi asked the Committee their opinion about transfers from the two annual projects [i.e. innovative projects and system repair/rehabilitation] to the seven major capital projects. John Melton indicated that it was a tough question because the annual projects aren't as big, but they are important. He noted that rehabilitating the rotted corrugated metal pipe (CMP) was really important. Rod McNall stated that continuing to defer maintenance will compound the problem, but thought the Committee didn't have enough information to knowledgably answer Joe's question. John Melton said he noticed that the Santa Clara County Vector Control District "slammed" Palo Alto in the media for the mosquito problem related to our poor storm drains. John noted that West Nile Virus is a public health issue, so it would be good if the annual repair/rehabilitation project could reduce conditions conducive to mosquito breeding.

Stepheny McGraw asked about the innovative projects fund. Joe Teresi pointed out that Palo Alto did not receive the State funding grant we applied for. Stepheny then asked if staff was rethinking what to do with those funds? Glenn Roberts pointed out that we have a commitment to a segment of the electorate to use the funds to reduce storm water runoff and pollution. John Melton emphasized that it is important to the voters and confirmed that staff was drawing up guidelines to sponsor innovative projects.

Joe Teresi continued to summarize the staff reports, citing the various methods being used in an effort to reduce costs on the pump station, including reducing project scope, seeking potential cost-saving ideas from contractors, and purchasing large equipment separately from the construction bid. Mike Sartor pointed out that staff must be careful to disqualify from bidding any contractors that help with the design phase. Richard Whaley also cautioned staff about buying equipment separately from a construction contract. This practice can potentially lead to disputes with the contractor during installation of the equipment.

The Committee then discussed the schedule for the Clara Drive project again. John Melton cautioned about moving too fast on that project until the 60% funding line is drawn through the priority list. It was agreed that the Committee should meet again within the next month to look at the project priorities, revised cost estimates and funding shortfall scenarios. Glenn Roberts stated that staff would arrange for another meeting of the Committee in the next four to six weeks.

Agenda Item V – Adjournment

At 10:31am the meeting was adjourned.

Matt Raschke
November 8, 2006