TO:          HONORABLE CITY COUNCIL  
FROM:        CITY MANAGER        DEPARTMENT: PUBLIC WORKS  
DATE:        SEPTEMBER 18, 2006    CMR:357:06  
SUBJECT:     APPROVAL OF A BUDGET AMENDMENT ORDINANCE IN THE AMOUNT OF $200,000; APPROVAL OF A CONTRACT WITH CASEY CONSTRUCTION, INC., IN THE AMOUNT OF $758,247 TO EXTEND GAILEN/BIBBITS STORM DRAIN OUTFALL TO THE ADOBE PUMP STATION, CAPITAL IMPROVEMENT PROGRAM PROJECT SD-06103  

RECOMMENDATION  
Staff recommends that Council:  

1. Approve the attached Budget Amendment Ordinance (BAO) in the amount of $200,000 (Attachment A) to provide an additional appropriation for the Extend Gailen/Bibbits Storm Drain Outfall to the Adobe Pump Station, Capital Improvement Program Project SD-06103; and  

2. Approve and authorize the City Manager or his designee to execute the attached contract in the amount of $758,247 with Casey Construction, Inc. (Attachment C) to extend the Gailen/Bibbits storm drain to the Adobe Pump Station; and  

3. Authorize the City Manager or his designee to negotiate and execute one or more change orders to the contract with Casey Construction, Inc. for related, additional but unforeseen work that may develop during the project, the total value of which shall not exceed $75,000.  

BACKGROUND  
Public Works Engineering manages the Storm Drainage Enterprise Fund. In 2005, the property owners of Palo Alto voted to increase their monthly storm drain fee to fund seven major capital improvement projects over a 12-year period. This project is the first of these voter-approved improvements to be awarded for construction.  

DISCUSSION  
This project will address a chronic ponding problem in the vicinity of Gailen Avenue and Bibbits Drive. Storm water runoff currently ponds on these streets when the water surface elevation of Adobe Creek is higher than the nearby street surface elevations. The storm drain serving this area currently flows to Adobe Creek via a gravity outfall. This pipeline will be intercepted and
routed to the Adobe Pump Station where the runoff is lifted into the creek. This modification will allow the storm drain to empty regardless of the creek level. This storm drain extension will be constructed beneath a maintenance road for Adobe Creek, within right-of-way owned by the Santa Clara Valley Water District (SCVWD). Bids for this project were solicited after an agreement was drafted between the City and SCVWD for use of its right-of-way.

Scope of Work
A project location and overview map is shown on Attachment D. The project consists of approximately 1,700 linear feet of new 36-inch-diameter reinforced concrete pipe (RCP) to be installed parallel to Adobe Creek ending at a point near East Meadow Drive. At the downstream end, the RCP connects to an existing pipeline that runs beneath the creek and into the Adobe Pump Station.

The three add alternate bid items are not being considered for award. They were designed to address future system capacity needs and to replace the aging fence surrounding the Adobe Pump Station, but the cost of the additional work exceeds the project budget.

Work is expected to start in early October 2006 and be completed by April 2007.

Project Coordination
The work included in this project has been coordinated with the City’s street maintenance program and does not directly impact any other utility or street resurfacing project. This project has been carefully coordinated with the adjacent “Vantage of Palo Alto” residential development project being constructed at 1180 East Meadow Drive.

Bid Process
A notice inviting formal bids for the project was posted at City Hall on August 1, 2006 and sent to 11 builders' exchanges and 10 potential bidders. The bidding period was 28 days. Bids were received from three qualified contractors on August 29, 2006 as listed on the attached bid summary (Attachment E). Bids for the base bid work items ranged from a low bid of $758,247 to a high of $1,398,000.

The low bid for the base bid work items is 58% percent over the engineer’s estimate of $481,010. Staff discussed the magnitude of the bids with the bidders and learned that the bids were primarily impacted by the high cost of reinforced concrete storm drain pipe, site-specific conditions (e.g. high groundwater and narrow vehicle and equipment access) that will slow the pace of construction, and high fuel costs. Contractors not submitting bids indicated that they were too busy with other projects to bid.

Although the bids exceed the engineer’s estimate by a substantial margin, staff believes that the three bids received are representative of the current construction market and that there would be no advantage to rebidding the project. The high nature of the bids is comparable with other construction bids recently received by the City for paving work, building modifications, and site improvements. The costs of construction labor, building materials, and fuel have increased significantly in recent years, resulting in markedly higher bid prices for construction work. This issue is discussed further in the Resource Impact section below.
**Summary of Bid Process**

<table>
<thead>
<tr>
<th>Bid Name/Number</th>
<th>Extend Gailen/Bibbits Storm Drain Outfall to the Adobe Pump Station, Capital Improvement Program Project SD-06103 / IFB #118587</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Length of Project</td>
<td>180 calendar days</td>
</tr>
<tr>
<td>Number of Bid Packages Delivered to Contractors</td>
<td>10</td>
</tr>
<tr>
<td>Number of Bid Packages Delivered to Builder’s Exchanges</td>
<td>11</td>
</tr>
<tr>
<td>Total Days to Respond to Bid</td>
<td>28</td>
</tr>
<tr>
<td>Pre-Bid Meeting?</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Company Attendees at Pre-Bid Meeting</td>
<td>3</td>
</tr>
<tr>
<td>Number of Bids Received:</td>
<td>3</td>
</tr>
<tr>
<td>Bid Price Range</td>
<td>Low bid $758,247 to a high of $1,398,000</td>
</tr>
</tbody>
</table>

The Certification of Nondiscrimination is Attachment F.

Staff recommends that the base bid of $758,247 submitted by Casey Construction, Inc. be accepted and that Casey Construction, Inc. be declared the lowest responsible bidder. The change order amount of $75,000 (which equals 10% of the total contract) is requested to resolve unforeseen problems and/or conflicts that may arise during the construction period. Staff checked references supplied by the contractor for previous work performed and found no significant complaints. Staff also checked with the Contractor's State License Board and found that the contractor has an active license on file.

**RESOURCE IMPACT**

The recommended contract award amount plus contingency exceeds the available budget in Storm Drainage Fund Capital Improvement Program Project SD-06103. The attached budget amendment ordinance would transfer $200,000 of budget from Storm Drainage Fund Capital Improvement Program Project SD-06101 (Storm Drain System Replacement and Rehabilitation) in order to fund the project shortfall. Project SD-06101 is funded annually on an ongoing basis and has a flexible scope that can be downsized to accommodate a decreased budget without significant impact.

The Gailen/Bibbits storm drain improvement project is the first capital project to be bid since property owners approved an increase in the storm drainage fee in 2005. The high bids received for this project have raised staff’s concerns regarding its ability to complete all of the projects listed in the rate increase ballot measure within the 12-year period that the increased fees will be in effect. In its report to the Finance Committee in April 2006, the Storm Drain Oversight Committee expressed concern regarding future project funding shortages by noting that the terms of the ballot measure limit annual storm drainage fee rate increases to the rate of general inflation, while construction costs have risen at a much higher pace in recent years. Staff will meet with the Oversight Committee in October to report on this issue and will discuss options for addressing this ongoing challenge.

**POLICY IMPLICATIONS**

This recommendation does not represent any change to existing City policies.
ENVIRONMENTAL REVIEW
This project has been determined categorically exempt under Section 15302 of the California Environmental Quality Act (CEQA) and based upon the statutory exemption contained in the Public Resources Code, Section 21080.21:

This division does not apply to any project of less than one mile in length within a public street or highway or any other public right-of-way for the installation of a new pipeline or the maintenance, repair, restoration, reconditioning, relocation, replacement, removal, or demolition of an existing pipeline. For purposes of this section, "pipeline" includes subsurface facilities but does not include any surface facility related to the operation of the underground facility.

ATTACHMENTS
Attachment A: Budget Amendment Ordinance
Attachment B: CIP pages for Capital SD-06101 and SD-06103
Attachment C: Contract
Attachment D: Project Location and Overview Map
Attachment E: Bid Summary
Attachment F: Certification of Nondiscrimination

PREPARED BY: ________________________________
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Project Engineer

DEPARTMENT HEAD: ________________________________
GLENN S. ROBERTS
Director of Public Works

CITY MANAGER APPROVAL: ________________________________
EMILY HARRISON
Assistant City Manager

cc: Storm Drain Oversight Committee