



City of Palo Alto

City Council Staff Report

(ID # 12324)

Report Type: Consent Calendar

Meeting Date: 6/21/2021

Summary Title: RWQCP On-Call Construction Management and Inspection Services

Title: Approval of Five 5.5 Years Contracts Numbers C21179265 A-E for RWQCP On-call Construction Management and Inspection Services With: 1) MNS Engineers, Inc.; 2) CDM Smith; 3) Carollo Engineers; 4) MCK Americas, Inc.; and 5) Tanner Pacific, Inc.; for a Total Not-to-Exceed Amount of \$1 Per Contract; Approval and Authorization of the City Manager or their Designees to Select one Consultant for Construction Management Services for the Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade Project (WQ-14003) at the Regional Water Quality Control Plant

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that Council:

1. Approve and authorize the City Manager or their designee to execute five (5) separate five-and-a-half-year contracts (Contract C21179265) with MNS Engineers, Inc.; CDM Smith; Carollo Engineers; MCK Americas, Inc. and Tanner Pacific, Inc.; (Contracts [A](#), [B](#), [C](#), [D](#), and [E](#)) for Regional Water Quality Control Plant (RWQCP) On-Call Construction Management and Inspection Services in a not-to-exceed total amount of \$1 per contract; and
2. Approve and authorize the City Manager or their designee to select one consultant under the process described in Exhibit A to the contracts and to increase the not-to-exceed amount under that one agreement with the selected consultant to \$1,600,000 (\$1,450,000 for basic services and \$150,000 for additional services) for construction management of the Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade project funded in Wastewater Treatment Enterprise Fund Capital Improvement Program, Project WQ-14003, at the RWQCP.

Executive Summary

The RWQCP capital program requires specialized consultant services to manage the construction and inspection of construction contract work. These services are an extension of staff and essential for providing quality assurance that the City is receiving the as-designed infrastructure in a transparent, efficient, and coordinated manner. The solicitation process identified qualified consultants that can provide on-call construction management and inspection services during construction of various capital projects recommended by the [Long-Range Facilities Plan \(LRFP\)](#). Services will be used on a per-project basis, at the City's discretion. For each construction project, staff will provide each of the five consultants a scope of services with a list of tasks needed for the upcoming construction project (i.e., Task Order). The resulting proposal and fee received back from the consultant will be evaluated before selecting one of the five firms for the upcoming work. Because staff desires to start construction management services in July 2021 concurrent to the expected notice to proceed date for Overaa Co. for the Primary Sedimentation Tank and Equipment Room Electrical Upgrade project (WQ-14003) awarded by Council May 17, 2021 ([CMR 11735](#)), staff is requesting authorization for the City Manager or their designee to select one of the five construction management firms to perform the project-specific construction management Task Order, for a total not-to-exceed amount of \$1,600,000. This will avoid a several month delay that would occur if staff otherwise had to return to Council in August or September 2021 with an amendment to one of the five contracts. Amendments for future projects will be brought to Council simultaneous with a recommendation to award the construction contract for the capital project. The amendment to the construction management contract will set forth the project Task Order cost and include an explanation of how staff selected the firm.

Background

The RWQCP was originally constructed in 1934 and has undergone several expansions and upgrades, including the construction of the primary sedimentation tanks in 1972. In 2012, the Long-Range Facilities Plan Final Report (LRFP) for the RWQCP was completed addressing key issues of aging infrastructure and increasing regulatory requirements. The capital program was explained in greater detail at the April 20, 2021 Finance Committee meeting ([CMR 12170](#)).

Discussion

The solicitation process identified qualified consultants that could provide on-call construction management and inspection services for projects recommended by the LRFP on an as-needed basis, at the discretion of the City. During construction, the construction manager will coordinate between the contractor and the design engineer. In addition to the Primary Sedimentation and Equipment Room Electrical Upgrade project (WQ-14003), future projects that may need a construction manager include the following:

- 12kV Medium Voltage Electrical Network (Loop) Rehabilitation (WQ-19002)
- Secondary Treatment Upgrades (WQ-19001)
- Outfall Line Construction and Rehabilitation (WQ-19000)
- Advanced Water Purification Facility (WQ-19003)

- 72-inch Joint Interceptor Sewer Rehabilitation (CIP No. TBD)
- New Laboratory and Environmental Services Building (WQ-14002)
- Headworks Facility Replacement (WQ-16002)
- Recycled Water Improvements (CIP No. TBD)
- Other miscellaneous RWQCP capital improvement projects (CIP No. TBD)

The future work listed above is estimated at about \$25 million in construction management services. The consultant skills needed for each project are similar, but some needed skills vary based on the type of project (e.g., specialized high voltage electrical cables, use of a building contractor instead of an industrial contractor, large diameter pipeline work, etc.). All five firms are large enough to provide the breadth of common construction management skills needed; however, the work will not be rotated between the five firms or given out by a randomized process because of the unique skill sets needed for some projects. Instead, each firm will propose a project-specific team, a fee, and a proposed approach. A mini-selection process, described in Exhibit A of these contracts and summarized below, will then be used to select which firm to utilize. Some of the RWQCP projects require coordination of work overlapping in time and/or with adjacency issues (e.g., coordination of electrical gear), in which case, staff may consider using the same construction management firm to provide a unitary coordination between multiple contractors and design engineers thereby reducing coordination risks. Due to project timing, size, and complexity, use of five firms in an on-call arrangement allows staff to choose and delegate to a project-specific task order. Prior to selecting a construction management firm for each project, staff will evaluate risks, project coordination, and complexity, and use these issues to inform the evaluation and selection. Use of multiple firms allows for a larger pool of qualified personnel with specific skills to support a variety of work (e.g., specialized inspection of 12,470-volt electrical cables and switches; expertise with large diameter pipeline installation; process mechanical, instrumentation, and electrical heavy industrial construction; etc.). Having five firms provides access to specific skill sets, ensuring that the \$310 million RWQCP capital program can be serviced by more than one firm should one firm potentially have inadequate resources for the foreseeable work.

Near the end of each project design, staff will issue project-specific Task Orders requesting proposals from each firm to provide construction management services for the upcoming construction phase. For each Task Order proposal, the firm will include items such as:

- proposed project team for consultant and subconsultants;
- the firm and team's relevant experience for the work;
- strategy and inspection approach;
- proposed additions, subtractions, or modifications to the scope of services; and
- schedule, staff availability, and fee.

Task Orders for services may include:

- preconstruction phase tasks;

- Clean Water State Revolving Fund (SRF) compliance tasks for project loan;
- construction phase tasks; and
- project closeout phase tasks.

The five firms’ fees and proposals will be evaluated by department staff using the City’s standard consultant selection criteria (see Attachment A). Pre-approval of five firms is an approach that saves time and uses in-house engineering staff more efficiently. Pre-approval ensures a firm is ready to advise staff even during pre-construction phases, if necessary. For subsequent projects, staff will return to Council to recommend the selection of one of the five firms to be approved by the City Manager or their designee (e.g., Public Works Director) and explain the selection, and to request approval of an amendment to incorporate the project task order and its related fee. Table 1 below illustrates a typical process for the selection and execution of the Task Order for a project.

Table 1: Process Flow for Typical Construction / Construction Management Process	
Project design engineer/architect develops Project Task Order/Scope of Work under supervision of department staff	
Construction Process	Construction Management Process
Department staff prepares a formal Invitation for Bid package for contractors per Purchasing process	Designer/Architect’s contract documents are shared with five firms to prepare a proposal based on both common and specific requests for services for that construction project
Solicitation of bids issued to contractors	Department staff reviews proposals received from firms and fee and makes a selection
Together with Council’s award of a construction contract for a capital project, Council approves an amendment to the selected construction management contract to incorporate the project-specific Task Order and increase the contract fee to support services needed during construction	

Solicitation Process for Prequalifying Construction Management Firms

On August 17, 2020, the City issued a Request for Proposals (RFP) through PlanetBids for On-Call Construction Management Services (CIP WQ-14003). A total of 40 construction management firms, design firms, vendors, contractors, and Builders Exchanges downloaded the RFP documents with attachments related to the project through PlanetBids. A virtual pre-proposal meeting was held on August 25, 2020. The bid period was 36 days. On September 22, 2020, proposals were received from Tanner Pacific, Inc.; Swinerton Inc.; MNS Engineers; MCK Americas; HDR; CDM Smith; and Carollo Engineers.

Request for Proposal (RFP) Issued	August 17, 2020
Pre-Proposal Meeting	August 25, 2020
Deadline for Questions, Clarifications	September 8, 2020
Proposals Due	September 22, 2020

Proposals Received	7
Finalist Identified and Interviewed	5
Number of Vendors Selected for Contract	5

An evaluation committee consisting of Public Works Department staff was formed to review the seven proposals received and conduct interviews. The committee carefully reviewed each firm's qualifications and submittal in response to the criteria identified in the RFP, including quality and completeness of the proposal, quality and effectiveness of services, experience with projects of similar scope and complexity, prior record of performance, cost, proposer's financial stability, and ability to provide future maintenance and/or services. In addition to the Public Works Department staff, the RWQCP CIP Program Manager (Woodard & Curran) provided comments on the proposals. These comments were considered to shortlist the following five finalists for interviews: Carollo Engineers, MNS Engineers, CDM Smith, Tanner Pacific, Inc., and MCK Americas, Inc.

After conducting the interviews, staff recommends engaging the five firms interviewed. These firms provided a more comprehensive approach to the services, demonstrated a clear understanding of needs, and proposed innovative solutions to the challenges of the complex capital program.

Timeline

The City is currently in the design and construction phase for several capital projects. Project construction is ongoing and will continue for approximately ten years. The On-Call Construction and Inspection Services Contracts have a term ending December 31, 2026, in compliance with procurement policies. Staff will solicit new proposals for construction management services for future capital work.

Resource Impact

As the lead agency, the City of Palo Alto has appropriated the \$1,600,000 funding in the Fiscal Year 2021 Wastewater Treatment Fund Capital Budget for the first Task Order associated with Primary Sedimentation Tanks and Equipment Room Electrical Upgrades Project (WQ-14003). As one of six partners of this regional operation, the City is responsible for 38.16 percent of this contract cost.

Costs will vary for the services needed for each project requiring external construction management. The costs typically depend on project size and complexity. The cost of construction management services on a recent large RWQCP project was about 10% of construction costs. A not-to-exceed expense of \$1,600,000 was developed for the Primary Sedimentation Tanks and Equipment Room Electrical Upgrades Project following this same projected cost of construction management services at 10% of the total expected construction costs. Future construction management services will be funded by respective capital projects, and will be detailed in future reports when a contract amendment to one of the five firms is brought forward for Council approval. Based on an approximate 10% of on-hand preliminary

construction cost estimates, the future estimated construction management expenses are shown in Table 2 below. Funding for subsequent years of the contract for these projects is subject to the annual appropriation of funds through the budget process.

Table 2: Estimated Future Construction Management Services Expenses	
Project	Expense (\$ million)
12kV Medium Voltage Electrical Network (Loop) Rehabilitation (WQ-19002)	\$0.8
Secondary Treatment Upgrades (WQ-19001)	\$12.8
Outfall Line Construction and Rehabilitation (WQ-19000)	\$1.1
Advanced Water Purification Facility (WQ-19003)	\$1.8
72-inch Joint Interceptor Sewer Rehabilitation (CIP No. TBD)	\$1.0
New Laboratory and Environmental Services Building (WQ-14002)	\$3.6
Headworks Facility Replacement (WQ-16002)	\$3.9
Total	\$25.0

Other projects may be added to Table 2 (above) in the future as construction management services cost estimates are quantified.

Palo Alto RWQCP treats the combined wastewater from Palo Alto, Los Altos, Los Altos Hills, Mountain View, Stanford University, and the East Palo Alto Sanitary District. For debt financed projects, Palo Alto’s project share is 38.16% and the other five agencies’ share is 61.84%, based on the fixed capacity established in partners’ agreements.

This contract uses the City’s professional services contract template, which permits the City to terminate without cause/for convenience by providing written notice to the consultant. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to reduce the cost, for example, by reducing the scope of work.

Policy Implications

This recommendation does not represent any change to existing City policies and supports the [Comprehensive Plan](#) Policy N.4-16.

Stakeholder Engagement

This project is part of the RWQCP’s major capital improvement program funded by Palo Alto and the five additional partner agencies who use the RWQCP for wastewater treatment. The five partner agencies are regularly updated on both the need for and the progress of wastewater treatment capital work. Updates are provided each year at an annual meeting and at other periodic meetings established to inform partner agency staff about the major capital improvement program. With respect to Palo Alto itself, the open meetings on the budget

process serve as the main vehicle for engaging the community on both new projects such as this and associated rate impacts.

In addition, staff have been reaching out to the water quality control plant community to gain increased insight into significant capital improvements to existing infrastructure. This has helped continue to inform staff's recommended approach to management of this over \$300 million investment and how to best position the City for the inherent risks, uncertainties, and complexities.

Environmental Review

Approval of these contracts does not constitute a project under the California Environmental Quality Act (CEQA); therefore, an Environmental Assessment is not required. The capital projects associated with the On-Call Construction Management Services will each have their own applicable environmental reviews.

Authorizing the City Manager to select one consultant to provide construction management services for the Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade project is exempt from CEQA review because, on October 15, 2018, Council approved the determination that the construction of the Primary Sedimentation Tanks Rehabilitation and Electrical Upgrade Project is exempt from the California Environmental Quality Act and approved the preliminary design ([CMR 9581](#)). A Notice of Exemption has been submitted to Santa Clara County Clerk-Recorder's office and was recorded on October 31, 2018 (File No. ENV21843).

Attachments:

- Attachment A: Consultant Selection Criteria

Attachment A

Proposal Evaluation Criteria and Selection Process

City staff will evaluate the proposals provided based on the following criteria, at a minimum:

1. Quality and completeness of proposal;
2. Quality, performance and effectiveness of the solution, goods and/or services to be provided by the Proposer;
3. Proposer's experience, including the experience of staff to be assigned to the project, the engagements of similar scope and complexity;
4. Cost to the city;
5. Proposer's financial condition and stability;
6. Proposer's ability to perform the work within the time specified;
7. Proposer's prior record of performance with City or other local, county or state agency;
8. Proposer's ability to provide future maintenance, repairs parts and/or services; and
9. Proposer's compliance with applicable laws, regulations, policies (including City Council policies), guidelines and orders governing prior or existing contracts performed by the contractor.
10. Any other factor the city deems relevant as specified in the Task Order.

The selection committee will make a recommendation to the City Manager or their designee, if a recommendation for selection is made.