



City of Palo Alto

City Council Staff Report

(ID # 6289)

Report Type: Consent Calendar

Meeting Date: 1/25/2016

Summary Title: Extend Term of Canus Corporation's Contract Until July 31, 2016

Title: Approval and Authorization of the City Manager to Extend the Term of the Construction Inspection Services Contract with Canus Corporation (C13145442) to July 31, 2016 with no Change to the Total Amount

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council approve and authorize the City Manager or his designee to extend the term of the construction inspection services contract with Canus Corporation (C13145442) until July 31, 2016, with no change to the contract dollar amount.

Background

The City's Utilities and Public Works Departments inspect the construction of their Capital Improvement Projects ("CIP") to ensure safety, reliability, contractor performance and compliance with contract specifications. Construction Inspection of CIP projects has traditionally been performed by Utilities Operations and Public Works Operations staff. Because of an increase in construction activity and limited number of qualified staff, on July 16, 2012 Council approved a contract with Canus Corporation ("Canus") in a total not to exceed amount of \$7,673,000 (contract amount of \$6,975,000 + 10% contingency amount of \$698,000) for electric, water, gas, wastewater, storm drain and Public Works construction inspection services (Staff Report 2973). The original contract was set to expire in July 2015. Because of ongoing projects, the City Manager extended the term of the contract to January 2016, the current expiration date, based on the authority provided by Section 2.30.290(b) of the municipal code. A second term extension, even without the expenditure of additional funds, requires Council approval.

Discussion

The City awarded, via a competitive bid process, a contract to Canus in July 2012 for a period of three years. After executing a six (6) month extension, this contract is now valid until January 31, 2016. At the time of the extension it was thought that there was adequate internal staff to handle upcoming CIP projects and that there was sufficient time to go out to bid for outside

inspection services. But the current construction requirements to meet customer and system improvement schedules indicate internal staff resources are better allocated to construction activities rather than inspection.

Canus has provided a qualified person for inspecting various Utilities and Public Works projects over the past three years. This has included projects dealing with electric underground system rebuild; overhead electric system rebuild; water, gas, and wastewater pipeline replacement; and storm drain replacement. Utilities has a current need for Canus to provide inspection services for upcoming pole replacement and water main replacement projects that will continue beyond the Canus contract expiration date in January 2016.

Canus has met the needs of the City and has satisfactorily carried out its work, provided accurate billing for work, and have addressed issues identified by staff over the past three years. Staff has checked with Canus and they stated that they would accept the extension until July 31, 2016 and perform inspection work without any escalation in their existing labor rates.

Resource Impact

The value of the contract is \$6,975,000 and to date \$1,870,000 has been expended, leaving \$5,105,000 remaining on the contract. When the contract was originally awarded it was anticipated that Canus would be used to inspect several CIP projects for Utilities and Public Works. But the actual number of projects that the Canus inspectors worked on was less than expected. Staff intends to utilize Canus for inspection of the construction of pole and pipeline replacement projects, and other associated work, which is estimated to be \$600,000 through June 2016, thus no additional funds need to be added to the contract. Funds for this contract are available in the approved CIP budgets for each project.

Staff is also preparing to go out to bid for a new inspection services contract. The extension of the Canus contract is to bridge the gap between the January 2016 expiration and anticipated award of a new contract by July 2016.

Policy Implications

The approval of this contract is consistent with existing city policies, including the Council approved Utilities Strategic Plan to operate the distribution system in a cost effective manner and to invest in utility infrastructure to deliver reliable service.

Timeline

In the event that Council approves the extension of the Contract, wood pole and pipeline replacement projects can continue as scheduled, avoiding a delay until the new contract is awarded.

Environmental Review

The Council's approval of an extension of this construction inspection services contract is exempt from California Environmental Quality Act (CEQA) review, as it does not meet the definition of a "project" under Public Resources Code 21065.

Attachments:

- Canus Corporation - Second Amendment (PDF)

ATTACHMENT A

**AMENDMENT TWO TO CONTRACT NO. C13145442
BETWEEN THE CITY OF PALO ALTO AND
CANUS CORPORATION**

This Amendment Two (“Second Amendment”) to Contract No. C13145442 (“Contract”) is entered into January 25, 2016, by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and CANUS CORPORATION, a California corporation, located at 27 Spectrum Pointe Drive, Suite 302, Lake Forest, CA 92630 (“CONSULTANT”).

RECITALS

A. The Contract was entered into between the parties for Consultant to provide inspection services for electrical, water, gas, wastewater, storm drain, and public works projects for the City.

B. The parties wish to amend the Contract to extend the Contract’s Term through July 31, 2016.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 2. TERM is hereby amended to read as follows:

“The term of this Agreement shall be from the date of its full execution through July 31, 2016 unless terminated earlier pursuant to Section 19 of this Agreement.”

SECTION 2. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Second Amendment on the date first above written.

CITY OF PALO ALTO

City Manager

APPROVED AS TO FORM:

Senior Deputy City Attorney

CANUS CORPORATION

DocuSigned by:
By: Greg Ricks
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Name: Greg Ricks
Title: Vice President