



City of Palo Alto

City Council Staff Report

(ID # 12026)

Report Type: Consent Calendar

Meeting Date: 6/7/2021

Summary Title: Underground District 46 Completion Project Construction Contract & Budget Amendment

Title: Approval of Contract C21179800A With Pacific International Electric Company, Inc. in the Amount of \$943,639 for the Underground District 46 Completion Project, and Authorization to Execute and Negotiate Related Change Orders in the Amount of \$188,728 for a Total Not-to-Exceed Amount of \$1,132,367; and Approval of Budget Amendment in the Electric Fund

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council:

1. Approve and authorize the City Manager or designee to execute the Contract C21179800A ([Linked Here](#)) with Pacific Industrial Electric, Inc. in the amount of \$943,639 for the removal and installation of the overhead utility lines as part of the completion work for the Underground Utility District 46 (UUD 46) (Project EL-12001);
2. Approve and authorize the City Manager or designee to negotiate and execute one or more change orders to [Contract C21179800A](#) with Pacific Industrial Electric, Inc. for additional related, but unforeseen, work which may develop during the project, the total value of which shall not exceed \$188,728 (approximately 20% of the contract price) for a total not-to-exceed amount of \$1,132,367; and
3. Amend the Fiscal Year 2021 Budget Appropriation for the Electric Fund by:
 - a) Increasing the CIP Project Underground Utility District No. 46 (EL-12001) appropriation in the amount of \$500,000 to cover the remaining phases of work; and
 - b) Decreasing the Electric Operations Reserve in the amount of \$500,000.

Background

At its meeting on October 20, 2014, the City Council passed [Ordinance No. 5276](#) establishing *Underground Utility District No. 46 ("UUD 46")*. This project involves the conversion of overhead utility (City of Palo Alto, AT&T, and Comcast) facilities to underground serving eight properties. The new underground system along the area of W. Charleston Road, crossing El

Camino Real Road, Arastradero Road up to Alta Mesa Avenue ([Linked Document – Project Boundary Map](#)) is installed in the public right-of-way.

Discussion

Project Description

The overall project involves the conversion of overhead utility facilities to underground within the project boundary. Construction is divided into four phases:

- *Phase I* – Substructure installation, consisting of trenching and placement of conduits, vaults, boxes, risers, and pads in the public right-of-way and in public utility easements to contain the utility equipment. This phase has been completed.
- *Phase II* – Installation, testing and energization of new underground electric and communication lines and equipment. This phase to be completed by June 2021.
- *Phase III* – Customer service conversions – all five (5) affected property owners will be required to connect to the new underground system. All but one remaining customer has converted to underground. Remaining customer is working on getting their underground service converted soon.
- *Phase IV* – Completion of the remaining overhead line facilities, which will cover the removal of remaining overhead lines and poles and the upgrade of the existing 60KV lines within the project boundary. This is the phase of the project currently under consideration for award of contract to Pacific Industrial Electric.

Work included in this [Contract C21179800A](#) with Pacific Industrial Electric, Inc. is the last phase of the overall project including labor, tools, equipment, and management of all field activities in coordination with City’s Operations staff, for the installation and removal of the overhead line work.

Bid Process

On February 11, 2021 the City posted a notice inviting formal bids (IFB) for the UUD 46 Completion project on PlanetBids through the City’s web portal. This was the second time that this project has been put out to bid in the past 12 months. The first time the City received two bids but had to reject the lowest bidder because they did not meet the licensing requirements specified in the bid package, and the second bidder was 9.4% higher than the engineer’s estimate, so both bids were rejected. The project was repackaged to correct the licensing requirements and added more detail to the bid item table, to hopefully attract more competitive bids. The closing date for this rebid was originally March 19, 2021, but at the request of a potential bidder, the closing date was extended one week. The City received one (1) bid on this second solicitation on March 26, 2021, as summarized:

BID NAME/IFB NO.	UNDERGROUND DISTRICT NO. 46 COMPLETION/IFB NO. 179800
PROPOSED LENGTH OF PROJECT	3 Months (90 Calendar Days)
NUMBER OF VENDORS NOTIFIED THROUGH	988

PLANETBIDS	
NUMBER OF BID PACKAGES DOWNLOADED FROM PLANET BIDS	37
TOTAL DAYS TO RESPOND BID	43 Days
PRE-BID MEETING MANDATORY	No
NUMBER OF COMPANY ATTENDEES AT PRE-BID MEETING	0
NUMBER OF BIDS RECEIVED	1
BID PRICE RANGE	Sole bid of \$943,639 was lower than Engineer's Estimate of \$1,000,000

[*Bid summary Linked Here](#)

Pacific Industrial Electric is the only contractor that submitted a bid. Staff considered the bid as compliant with the basic requirements to proceed. Staff reviewed the bid ([Linked Document – Bid Summary](#)) and recommends that the bid of \$943,639 submitted by Pacific Industrial Electric be accepted and that Pacific Industrial Electric be declared the responsible bidder. Pacific Industrial Electric's bid is approximately 5.64% lower than the engineer's estimate of \$1,000,000 which was based on construction costs for similar work done in previous line construction projects. Staff made inquiries to other contractors to ask why they did not submit a proposal. The contractors cited that they were busy with other projects and did not have resources available to meet the City's timeline. Therefore, even though this RFP only had one respondent, given the prior responses which were over the engineering estimate of \$1.0 million, and this resulted in a lower cost than the engineering estimate, staff continues to recommend moving forward with this contract.

The change order amount of \$188,728, which equals 20% percent of the total contract, is requested to be added, for related, but any unforeseen work which may develop during the project. A higher 20% contingency is requested to cover any unforeseen work during the foundation excavation for the two new steel poles and the installation of two temporary poles as described in the scope of work. This is non-typical work for the City; installing steel poles requires 21 feet foundation, which creates uncertainty as to soil conditions and water table concerns. Additionally, one of the temporary poles is to be installed in an easement in the McLaren parking lot, which may result in higher than typical change orders as we coordinate with this business.

Staff confirmed with the Contractor's State License Board that the selected contractor has an active license on file. Both the contractor and subcontractor are registered and in good standing with the California Department of Industrial Relations (DIR). Staff checked references supplied by the contractor and got positive responses from them, in terms of safety and performance issues, for both companies, Pacific Industrial Electric, the main contractor, and

Avtech Construction, the concrete subcontractor. Both have worked on electric utility projects (SDG&E and PG&E), substation and sub-transmission, and heavy industrial projects.

Resource Impact

Funding of \$858,000 is currently available for EL-12001 in the FY 2021 budget. Staff recommends an appropriation of \$500,000 in the FY 2021 Electric capital budget and offset by a reduction in the Electric Fund operations reserve. Sufficient funding to cover this additional project cost is not available in the CIP Reserve and therefore the operations reserve is recommended to be used for needed funding. Majority of the CIP Reserve balance has been transferred to Operations Reserve over the last couple years to keep rates flat and to maintain Operations Reserve above the minimum reserve guideline. The Operations Reserve is expected to remain within guideline levels after this allocation. Overall, the cost escalation from original budget allocation reflects an original project estimate from 2016 that was not updated as part of the annual budget process and five-year CIP planning process over the subsequent years. In addition, due to current staffing levels, an increased proportion of this project was included in the contractor project scope increasing costs. Remaining funding of \$225,000 in this project is needed to cover internal staff time for project management, inspection work, and operations to complete the project.

This contract is on the City's construction contract template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. 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. The contract may also be temporarily suspended by written notice of the City Manager.

Stakeholder Engagement

Since the start of this project, staff has been in frequent communication with the property owners directly affected by this project via letters and meetings. Additional details of the construction to be performed under this contract will be communicated to the neighborhoods and other affected project stakeholders in advance of the construction, and every effort will be made to minimize inconvenience to customers. Constant coordination with Public Works on their Charleston-Arastradero Corridor Projects is maintained.

Policy Implications

The approval of this contract and implementation of this project is consistent with existing City goals, policies and plans including:

2018 Utilities Strategic Plan

Priority 2: Collaboration

- Strategy 1, Action 2: Proactively communicate capital improvement projects to mitigate the impacts of construction, while maximizing public support and the allocated financial resources.
- Strategy 2, Action 2: Enhance current coordination of scheduling, synchronization and communication of capital improvement, maintenance, operations projects and other Utilities programs and services with other departments to improve implementation and efficiency.

Priority 4: Financial Efficiency and Resource Optimization

- Strategy 1: Establish a proactive infrastructure replacement program, based on planned replacement before failure to support reliability and resiliency.
- Strategy 4: Achieve a sustainable and resilient energy and water supply to meet community needs.
- Strategy 5: Engage stakeholders and define CPAU's role in supporting and facilitating community resiliency.

Environmental Review

This project is categorically exempt from the California Environmental Quality Act (CEQA) under Section 15302(d) of the California Code of Regulations, Title 14, Chapter 3 (conversion of overhead electric utility facilities to underground).