



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: April 7, 2025

Staff Report: 2411-3788

TITLE

Approval of Three Professional Service Agreements: Contract No. C25193590A with 4Leaf, Inc., Contract No. C25193590B with CMI Contractors, Inc., and Contract No. C25193590C with Park Engineering, Inc, in the Aggregate Amount Not-to-Exceed \$6 Million for a Period of Three Years for On-Call Field Inspections and Construction Management Services to Support Electric and Fiber Utilities' Capital Improvement Projects (CIPs) Including the Grid Modernization Project; CEQA Status: Not a project.

RECOMMENDATION

Staff recommends that the City Council approve and authorize the City Manager or designee to execute three professional service agreements with the following vendors in the combined total amount not-to-exceed \$6 million for a period of three years for on-call field inspections and construction management services for Electric and Fiber Utility CIPs:

- 1) Contract No. C25193590A with 4Leaf, Inc. (Attachment A)
- 2) Contract No. C25193590B with CMI Contractors, Inc. (Attachment B), and
- 3) Contract No. C25193590C with Park Engineering, Inc. (Attachment C).

EXECUTIVE SUMMARY

The current Fiscal Year 2025 total budget for Electric Utilities CIP Projects is \$75 million, which includes the Grid Modernization Project, Foothills Rebuild Project, and multiple substation and distribution system improvement projects which are projected to extend out to five years before final completion. These on-call services contracts will provide construction management and inspection services when there are insufficient internal staff available. This will allow the Utilities Department to add resources to efficiently manage workloads, uphold a high level of service to residents and businesses, and use resources with specialized expertise on complex projects.

The Fiscal Year 2025 total budget for Fiber Optic Services is \$27 million, which includes Fiber Optic system improvements, system rebuilds, and Fiber-to-the-Premise (FTTP). These projects will require construction staffing resources with specific Electric Utility expertise, and generally, a total of 10% of the Utilities Department CIP project cost is budgeted for internal or external field inspections and construction management services.

The requested Council approval is for an aggregate not-to-exceed amount of \$6 million over three years in construction management and field inspection services needed to support the Electric and Fiber Utility CIPs mentioned above, to be distributed among the three on-call professional service agreements. Staff expects the Electric and Fiber Optic projects to require between \$250,000 and \$500,000 annually for each CIP projects. These projects include Grid Modernization, Electric Distribution System Improvements, Fiber-to-the-Premises (FTTP), Fiber Backbone Rebuild, Colorado Substation Circuit Breaker and Relay Protection Systems Upgrades, and Substation Physical Security Upgrades.

BACKGROUND

The City of Palo Alto owns, operates, and maintains a full suite of utilities for its residents and businesses. The utilities include a potable water distribution and transmission system, a natural gas distribution system, a wastewater collection system, and electrical and fiber optic distribution systems. The Utilities Department invests in CIPs to ensure future reliability of the utility systems, enhance operational safety, and minimize maintenance costs.

Capital improvement construction projects require full-time inspection and construction management to ensure work performed by contractors complies with Utility Standards, engineered plans, and federal and state regulations. The daily responsibilities of the engineering inspectors and construction management include ensuring safety practices are followed and traffic controls are in place as approved, creating record drawings of the utility improvements for Geographic Information System (GIS) updates to aid in future designs and avoid damage during future excavations, and collaborating with utility project managers to ensure project delivery is on time and within budget.

The Utilities Department anticipates an increased Electric CIP workload, and the start of FTTP construction, in coming years that exceeds engineering staffing resources for field inspection and construction management. These projects, including Electrical Substation Upgrades, the Grid Modernization Project, and FTTP pilot will require contract inspectors and construction managers with specific electric utility experience when there is insufficient internal staff. Having three on-call field inspection and construction management services contracts will allow the Utilities Department flexibility to use external resources to provide additional coverage for inspection, construction management, and other professional services, and to assign work based on which firm has the appropriate expertise and availability for a specific City Electric or other Fiber CIP.

When soliciting contract inspectors or construction managers, staff contacts each company and requests qualified staffing for the project. Candidate resumes are provided by each company for available personnel with the requested experience. Staff evaluates each resume and the candidate's availability compared to when the project is anticipated to start. If a candidate is not available, staff can move around internal resources or delay the project until a qualified candidate is available. Having three companies under contract allows flexibility to onboard a qualified candidate and ensure the project starts on time with qualified staff.

ANALYSIS

Generally, a total of 10% of Utilities' CIP total project cost is budgeted for internal or external field inspections and construction management. The Electric operations division has in-house inspectors that are mainly assigned to electric operations projects (customer installations and upgrades). The electric and fiber optic engineering divisions do not have full-time inspectors to oversee the anticipated electric engineering or fiber CIP projects. These on-call contracts are necessary to provide adequate project inspection and construction management for upcoming projects that require specialized utility experience and to support the fast-paced grid modernization for electrification projects as well as the FTTP Pilot.

Summary of Solicitation Process

A Request for Proposal ([RFP #190944](#)¹) for on-call field inspection and construction management services was issued via OpenGov on June 4, 2024. A total of 3,258 vendors were notified in the City's electronic procurement system. At the end of the advertisement period, three proposals were received from 4Leaf, Inc. Park Engineering, Inc., and CMI Contractors, Inc. The criteria in selecting the firms include experience in working on Electric, and Fiber projects, sufficient staffing, cost to the City, quality of the proposal, and prior record of performance with the City or other agencies. Staff verified the criteria and proposals of the three firms to be satisfactory.

4Leaf, Inc., and Park Engineering, Inc. have established performance records working on City WGW CIP and non-CIP projects under existing On-Call Inspection contracts, which Council renewed for a five-year term February 10, 2025 ([Council Report ID # 2407-3222](#)²). CMI Contractors Inc., specializes in electric utility construction management and field inspection, the flexibility of this RFP enables the opportunity for a industry specific company such as CMI Contractors to bid, expanding the typical response pool.

Staff recommends the contracts be awarded to 4Leaf, Inc., CMI Contractors, Inc., and Park Engineering, Inc. for Electric and Fiber Utility CIP inspection and construction management

¹ RFP #190944 <https://procurement.opengov.com/portal/palo-alto-ca/projects/98927>

² Council Report ID # 2407-3222 <https://cityofpaloalto.primegov.com/Portal/viewer?id=0&type=7&uid=d1028eac-5073-4d54-b84f-ef3325ce78df>

services, to ensure the availability of experienced staff when needed. On-call services will be assigned on a Task Order basis depending on which contractor has the staffing availability and relevant expertise for an upcoming City CIP. When services are needed, the City will contact the firms regarding their availability to perform the necessary work and request project-specific proposals and resumes for proposed staff. Individual Utilities project managers will be responsible for evaluating the adequacy of each Task Order's proposed scope of work, reviewing the experience and billing rates of proposed staff with a project team, ensuring appropriately qualified staff are assigned to each Task Order, and managing each Task Order budget ultimately with the Assistant Director of Electric Operations and Engineering approving the task orders. The overall contract will be managed by Utilities' Strategic Business Manager.

Table 1: Summary of Request for Proposal		
<i>Proposal Title</i>	On-Call Field Inspection and Construction Management Services for Utilities	
<i>Proposal Number</i>	190944	
<i>Proposed Length of Project</i>	10 Years	
<i># of Notices sent to Vendors via City's eProcurement System (OpenGov)</i>	3,258	
<i># of RFP Packages Downloaded by Firms</i>	52	
<i>Total Days to Respond to Proposal</i>	15 Calendar Days	
<i>Pre-Proposal Teleconference</i>	June 13, 2024	
<i># of Company Attendees at Pre-proposal Meeting</i>	9	
<i># of Proposals Received</i>	3	
<i>Range of Cost Proposals</i>	On-Call Field Inspector: From \$151.82/hour to \$184.51/hour	On-Call Construction Manager: \$170.89/hour to \$256.91/hour
<i>Company Name</i>	<i>Location (City, State)</i>	
Park Engineering, Inc.	372 Village Square, Orinda, CA 94563	
CMI Contractors, Inc.	745 S. Turner Drive, San Jose, CA 95128	
4Leaf, Inc.	2126 Rheem Drive, Pleasanton, CA 94588	
Public Link to Solicitation	OpenGov System-Solicitation Information	

A total not to exceed amount of \$6 million is being requested for a three-year contract term to support the upcoming utility capital improvement projects. When City plans CIP construction, a task order with a specific dollar amount for that project will be issued to one of the two firms with the most available and qualified individuals at the time of request. In the event specialized experience or knowledge is required, Park Engineering has included pricing to subcontract work to ensure the City receives the required experience on specialized projects, which results in a larger range in hourly costs in the table above.

FISCAL/RESOURCE IMPACT

Funding for these contracts will be allocated as needed up to a not-to-exceed amount of \$6 million to be distributed between the three professional service agreements over the term of three years. Staff anticipates Electric CIP projects will use up to will use between \$250,000 and \$500,000 annually when staff are assigned to other projects. There is sufficient funding budgeted in FY 2025 in the capital improvement projects listed in the table below. Funding for future years of these contracts and capital projects is subject to the annual budget process and Council appropriation of funds.

Utility	Project Number	Project Title	Adopted FY25 Budget
Electric	EL-24000	Grid Modernization for Electrification	\$43,182,640
Fiber	FO-24000	Fiber-to-the-Premise (FTTP)	\$13,925,164
Electric	EL-19002	Colorado Substation Site Improvements	\$1,138,394

STAKEHOLDER ENGAGEMENT

The evaluation committee formed by staff in water, gas, wastewater, electric and fiber engineering reviewed the submitted proposals. This staff report addresses only Electric and Fiber services contracts; WGW service contracts were separately approved by Council on February 10, 2025. The evaluation of upcoming projects and future needs of on-call inspection and construction management personnel was coordinated.

ENVIRONMENTAL REVIEW

City Council approval of these on-call professional services contracts is not a project under CEQA, as an administrative and organizational activity of government that will not result in direct or indirect physical changes in the environment (14 CCR 15378(b)(5)). CEQA evaluations will be performed prior to Council approval of any specific CIP construction contract for which these professional construction management and field inspection services would be assigned.

ATTACHMENTS

Attachment A: Contract with 4Leaf; Contract C25193590A

Attachment B: Contract with CMI Contractors, Inc.; Contract C25193590B

Attachment C: Contract with Park Eng; Contract C251935904C

APPROVED BY:

Kiely Nose, Interim Director of Utilities

Staff Lead: Dave Yuan, Strategic Business Manager