



City Council Staff Report

From: City Manager
Report Type: CONSENT CALENDAR
Lead Department: Public Works

Meeting Date: May 5, 2025

Report #:2502-4128

TITLE

Approval of Contract Change Order No. 1 in the Amount of \$1,500,000 to Contract C23186274 with Monterey Mechanical Company, for On-Call Emergency and Critical Construction Services at the Regional Water Quality Control Plant, for a Total Compensation Not-to-Exceed Amount of \$3,000,000, funded by Wastewater Treatment Fund Capital Improvement Plant Repair, Retrofit, and Equipment Replacement Capital Project (WQ-19002); CEQA Status – Not a Project

RECOMMENDATION

Staff recommends that the City Council:

1. Approve and authorize the City Manager or their designee to execute Change Order No. 1, adding \$1,500,000 to Contract C23186274 with Monterey Mechanical Company for on-call emergency and critical construction services at the Regional Water Quality Control Plant, for a revised total amount not-to-exceed of \$3,000,000; and
2. Approve an amendment to the Fiscal Year 2025 Adopted Capital Budget Appropriation for the Wastewater Treatment Fund (requires a 2/3 majority vote) by:
 - a. Increasing the Plant Repair, Retrofit, and Equipment Replacement Project (WQ-19002) appropriation by \$1,500,000; and
 - b. Decreasing the Wastewater Treatment Fund balance by \$1,500,000.

EXECUTIVE SUMMARY

The Regional Water Quality Control Plant (RWQCP) is an essential industrial facility that treats wastewater from Palo Alto and its regional partner cities. Because of its critical role, the City maintains on-call construction services with a contractor to respond quickly in the event of a serious equipment or process failure that is too large or complex for the RWQCP maintenance staff to handle. With three work orders already placed to the contractor under the existing contract, the initial funds are nearly depleted. Change Order No. 1 will add more funds to the contract to continue critical repairs and maintenance at the RWQCP.

BACKGROUND

The RWQCP is a 25-acre industrial complex containing a number of complex treatment unit processes. The RWQCP facilities operate 24 hours a day, 7 days a week. The facilities include steel and concrete buildings, tanks, pumps, pipes, valves, motors, and other industrial machinery. The aging infrastructure must be maintained in a state of operational readiness to meet federal, state, and local regulations.

A competitive bid process was conducted in late 2022 and on March 6, 2023, Council approved a contract with Monterey Mechanical Company (MMC) for \$1.5 million through March 15, 2028 to provide critical and emergency construction services for the RWQCP.¹ Over the past 11 years, MMC has consistently provided high-quality, timely, and cost-effective services for the RWQCP over the course of several previous on-call construction contracts. MMC has completed or is actively engaged in several critical work orders under the current contract, summarized as follows:

Work Order 2301 - Repair of the RWQCP Outfall Pipeline in Embarcadero Road. During heavy rains in January 2023 and February 2023, staff discovered the pipe was leaking at joints, raising concerns about potential sinkhole formation. MMC was called in to assess the situation and plan for repairs. The work involved excavating the road, carefully working around existing underground utilities, and sealing the leaks from the exterior of the pipe. MMC used caution not to damage the pipe, as the pipe is always in service, conveying treated effluent from the RWQCP to the Bay. The work entailed driving sheet piles 10-feet into the subsurface and repairing the leaks with a hydrophilic concrete grout and polyurethane foam injection into the joints. MMC also had to plate and unplate the excavated road surface daily and implement traffic control to reroute vehicles, pedestrians, and cyclists. The final cost for this work order was \$635,000.

Work Order 2302 – Replace Blend Tank Pipe and Valves. On November 13, 2024, a section of pipe in the Blend Tank Mixing Pumps recirculation line ruptured, causing sludge to spray into the air. Operations quickly isolated the system, and MMC was promptly called in to assess the situation and determine a course of action. The immediate task was to replace the damaged section of pipe to return the system to service. MMC was able to source and install a replacement pipe section within 10 days. While the system was being assessed, staff discovered that the entire 25-year-old piping system in the Blend Tank Mixing Pumps was in poor condition and required full replacement. Given the urgent need for these repairs, MMC was tasked with sourcing the necessary materials, including ductile iron glass-lined pipes and valves. The key challenge was the long lead time for delivery: the valves required up to 52 weeks for delivery. Recognizing this, staff directed MMC to immediately initiate a work order so that replacement could proceed as soon as

¹ City Council, March 6, 2023; Agenda Item #5; SR #2212-0703

<https://portal.laserfiche.com/Portal/DocView.aspx?id=64924&repo=r-704298fc&searchid=75e1224f-6e0a-4e24-8759-b36ddff9c0da>

possible. In early January 2025, MMC provided pricing for the required materials, with the total cost for material supply and installation amounting to \$847,000.

Work Order 2303 – Aeration Basin No. 4 (AB-4) Base Concrete Leak Repairs. AB-4 has been out of service for more than a year as part of a major construction project. After AB-4 was re-filled in preparation to return it to service, staff discovered some weeping / leaks at the concrete foundation along the south wall of the basin. MMC was called in along with their specialty epoxy injection subcontractor. The subcontractor arrived at site (on a Saturday), pinpointed the areas of leakage, and injected polyurethane foam into the concrete to seal the leaks. This work was completed within a week of discovery, and the total cost for these repairs was \$5,835.

Work Order 2304 - DMF Backwash Valves and Backwash Pump Manifold Replacement. The Dual Media Filtration (DMF) Building filters have elevated piping manifolds used for the filter's operation, which are about 20-feet above floor level. Several filter backwash valves need to be replaced because of leakage, and the valves are nested into very tight valve manifolds. In addition, the Backwash Supply Pumps discharge manifold is corroded and leaking from an elevated connection. The valves and the pumps piping manifold require replacement quickly. MMC was asked to provide a proposal to replace the valves and corroded manifold. In February 2025, MMC provided material and installation pricing, which amounted to \$650,000. Staff intends to place an order for these materials as soon as the additional contract funds are approved.

In total, these four work orders amount to approximately \$2.1 million, exceeding the original contract value of \$1.5 million.

ANALYSIS

System failures at the RWQCP require immediate, specialized response due to the complexity and critical nature of the operations. Some failures require the use of heavy construction equipment and the resources of a licensed contractor. In these cases, licensed contractors are required to provide on-call emergency and critical construction services. As part of its ongoing maintenance strategy, the City has relied on on-call emergency contracts since 1997. Along with ongoing capital improvements to replace aging infrastructure, this type of contract has been a vital component of keeping the RWQCP in compliance with federal, state and local regulations.

To prepare for another critical or emergency situation, and because there are still approximately three years remaining on this current on-call construction contract, staff recommends that City Council approve additional funds totaling \$1,500,000 be available through the contract end date of March 15, 2028. The \$1,500,000 is being added to the existing contract of \$1,500,000 bringing the total contract amount to \$3,000,000. A new five-year contract for on-call construction services will be solicited in late 2027.

FISCAL/RESOURCE IMPACT

The recommendation in this report will approve a change order to increase the authorized contract amount with MMC. To fund the change order, the report also recommends a budget amendment to increase the Wastewater Treatment Fund's Plant Repair, Retrofit, and Equipment Replacement capital project (WQ-19002) by \$1,500,000.

The Plant Repair, Retrofit, and Equipment Replacement project utilizes a distinctive funding approach that includes multiple contracts over several fiscal years. The anticipated expenses are forecasted to project the necessary revenue needed from the partners to fund this project for future fiscal years. Palo Alto treats combined wastewater from Palo Alto, Los Altos, Los Altos Hills, Mountain View, Stanford University, and East Palo Alto Sanitary District (partners). Palo Alto's share of this project is approximately 37%, and the other five agencies' share is approximately 63%, based on the volume and strength of wastewater contributions of each partner. The Fiscal Year 2025 budget for WQ-19002 approved by Council is \$13.4 million. The contracts listed in Table 1 are some examples of the larger contracts that were encumbered in the first year when the contract was signed, but the spending is over multiple fiscal years, with the expenses billed per the partner agreements.

Table #1: Example of some of the larger projects that are funded out of WQ-19002			
<i>Project Description</i>	<i>Total Cost</i>	<i>Palo Alto Share</i>	<i>Estimated Time</i>
12 kV Electrical Distribution ²	\$9.6 million	\$3.5 million*	FY25, FY26, FY27
Long Rang Facilities Plan ³	\$2.7 million	\$1.0 million	FY25, FY26
On-call Emergency and Critical Construction	\$0.9 million	\$0.3 million	FY25

*Palo Alto's share of the project is being reimbursed by Valley Water by the Guiding Principle Five (GP5) grant.⁴

Increasing the Fiscal Year 2025 Adopted Capital budget appropriation by \$1.5 million for WQ-19002 will provide the necessary funding to use this on-call construction contract for immediate repairs to the Dual Media Filters (DMF) and \$0.9 million for future repair needs. This request increases the Fiscal Year 2025 appropriation to \$14.9 million.

² City Council, October 28, 2024; Agenda Item #5; SR #2408-3389

<https://portal.laserfiche.com/Portal/DocView.aspx?id=106086&repo=r-704298fc&searchid=758a5337-ab95-483f-a382-a28e0ffd2d3b>

³ City Council, June 10, 2024; Agenda Item #6; SR #2405-2993

<https://portal.laserfiche.com/Portal/DocView.aspx?id=72805&repo=r-704298fc&searchid=8188b562-870a-42de-9d7a-1d0e531fbb6a>

⁴ City Council, June 3, 2024; Agenda Item #6; SR #2404-

2877 <https://portal.laserfiche.com/Portal/DocView.aspx?id=72164&repo=r-704298fc&searchid=37797962-c9d7-483c-b7a1-46bf98d44376>

STAKEHOLDER ENGAGEMENT

This project is part of the RWQCP's minor capital improvement program funded by the City of Palo Alto and its five 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 venue for engaging the community on both new projects such as this and associated rate impacts.

ENVIRONMENTAL REVIEW

The recommended action is exempt from review under the California Environmental Quality Act pursuant to CEQA Guidelines Section 15301 (b), which includes maintenance of publicly owned wastewater facilities involving negligible or no expansion.

ATTACHMENTS

Attachment A: C23186274 Change Order No. 1

APPROVED BY:

Brad Eggleston, Director Public Works/City Engineer