



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Public Works

Meeting Date: June 10, 2024

Report #:2404-2881

TITLE

Approval of Amendment Number 4 to Contract Number C21179265C with Carollo Engineers, Inc., to Increase Compensation by \$4,151,386 and Approval of Amendment Number 2 to Contract Number C21178333 with Black & Veatch to Extend the Contract Term through December 31, 2027 for the Local Advanced Water Purification System Project (WQ-19003); CEQA status - Notice of Determination Adopted November 18, 2019

RECOMMENDATION

Staff recommends that City Council approve and authorize the City Manager or their designee to execute:

1. Amendment No. 4 to Contract No. C21179265C with Carollo Engineers, Inc., to increase the contract amount by \$4,151,386 to provide construction management and inspection services during construction of the Local Advanced Water Purification System project, including \$3,773,987 for basic services and \$377,399 for additional services; and
2. Amendment No. 2 to Contract No. C21178333 with Black & Veatch, to extend the contract term through December 31, 2027 for design services, with no additional cost payable by the City.

EXECUTIVE SUMMARY

This report recommends award of a construction management contract and amendment to the design contract for the Local Advanced Water Purification System (Local AWPS) project to improve recycled water quality. The form of the construction management contract is through amendment to an existing agreement for on-call construction management and inspection services approved by the City Council in June 2021. Staff recommends approval of Amendment No. 4 (Attachment A) to Carollo Contract C21179265C to increase compensation by \$4,151,386, from \$9,229,806 to \$13,381,192. For design services, staff recommends approval of

Amendment No. 2 (Attachment B) with Black & Veatch to extend the duration of the design contract to December 31, 2027, to address the delayed construction start date and provide design services during construction.

BACKGROUND

The RWQCP treats wastewater from a total of six communities (Partner Agencies) and produces approximately 230 million gallons per year of tertiary-treated recycled water for beneficial reuse.

On January 25, 2010, City Council approved the Recycled Water Salinity Reduction Policy, including a goal of reducing the recycled water salinity as measured by total dissolved solids (TDS) to under 600 parts per million (ppm).¹ In the following years, the City and the other Partner Agencies completed several projects to reduce infiltration into sewers. The repairs reduced the salts entering the RWQCP, but not by enough to reach the target.

In 2017, City Council approved the Preliminary Conceptual Design Report for a phased Local Salt Removal Facility (Local Advanced Water Purification System or Local AWPS). The Local AWPS will improve the recycled water quality by reducing its average concentration of total dissolved solids (TDS) from 800 ppm to 450 ± 50 ppm by blending reverse osmosis product water with the existing recycled water. The highly treated water would enable the City as well as Mountain View to expand non-potable recycled water use and/or provide a first step toward small-scale direct or indirect potable reuse in the City.

In December 2019, the City, Mountain View, and the Santa Clara Valley Water District (Valley Water) signed an Agreement to Advance Resilient Water Reuse Programs in Santa Clara County.² The Agreement included funding of \$16 million from Valley Water that could be put towards finalizing the design and construction of the Local AWPS and in March 2021, the City hired Black & Veatch for the design.³

An update on the Local AWPS design including updated cost estimates was presented to Council at a September 12, 2022 study session.⁴ Due to increases in construction prices as well as refinement of design elements, the cost estimate of the Local AWPS at the detailed design was significantly higher than that of the preliminary design in 2017 (\$20 million). Staff

¹ City Council, January 25, 2010; Agenda Item #9, SR #111:10,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=55114&repo=r-704298fc>

² City Council, November 18, 2019; Agenda Item #17, SR #10627,
<https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2019/id-10627-mini-packet-11182019.pdf?t=60382.02>

³ City Council, March 3, 2021; Agenda Item #3, SR #11782,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=95&repo=r-704298fc&searchid=c6020df0-5272-425f-a399-0d29b1a69b64>

⁴ City Council, September 12, 2022; Agenda Item #3, SR #14650,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59240&repo=r-704298fc&searchid=1fc7f635-8174-45b3-b0b1-cd496145aa8f>

committed at the September 12, 2022 study session to prepare a Preliminary Finance Plan to describe the costs associated with the project, the various funding sources available, and the fiscal impacts to the City. In October 2023, City Council approved a Financing Plan for the Project and directed staff to secure financing and to solicit bids for construction and construction management services contracts.⁵

In May 2024, City Council approved an application for a Site and Design Review and Design Enhancement Exception to allow construction of this Project following the recommendations of the Planning and Transportation Commission and the Architectural Review Board.⁶

C21179265C Construction Management Contract Amendment No. 4

On June 21, 2021, City Council approved five separate five-and-a-half-year contracts (Contract Nos. C21179265A through C21179265E) with MNS Engineers, Inc.; CDM Smith; Carollo Engineers; MCK Americas, Inc.; and Tanner Pacific, Inc. to provide on-call construction management and inspection services during construction of various capital projects at the RWQCP. These contracts were initially set at a not-to-exceed total amount of \$1 per contract.⁷ For construction of each capital improvement project at the RWQCP, staff issued a request for work order proposals to all five aforementioned construction management consultants, evaluated the proposals received, and selected one consultant that best met the project needs. Staff then sought Council's approval on a project-specific amendment (Task Order) to the selected construction management consultant's contract as part of the staff report for the approval of the construction contract for that project.

On November 14, 2022, City Council approved Amendment No. 1 to Contract C21179265C with Carollo to add Task 2: Construction management and inspection services for the 12kV Electrical Power Distribution Loop Rehabilitation Bid Package 1 Project, and to increase compensation for basic and additional services by \$604,246, from \$1 to \$604,247. Task 2 Services were funded by the Plant Repair, Retrofit, and Equipment Replacement Project (WQ-19002).⁸

On December 5, 2022, City Council approved Amendment No. 2 to Contract C21179265C with Carollo to 1) add Task 3: construction management and inspection services for the Secondary Treatment Upgrades Project; 2) extend the contract term through March 31, 2028; and 3)

⁵ City Council, October 16, 2023; Agenda Item #10, SR#2308-1863, <https://portal.laserfiche.com/Portal/DocView.aspx?id=67870&repo=r-704298fc>

⁶ City Council, May 13, 2024; Agenda Item #11, SR#2404-2760, <https://portal.laserfiche.com/Portal/PdfViewer.aspx?file=https%3A%2F%2Fportal.laserfiche.com%2FPortal%2FElectronicFile.aspx%3Fdocid%3D72055%26repo%3Dr-704298fc%26pdfView%3Dtrue#page=153>

⁷ City Council, June 21, 2021; Agenda Item #21; SR # 12324, <https://www.cityofpaloalto.org/files/assets/public/v/2/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2021/id-12324.pdf>

⁸ City Council, November 14, 2022; Agenda Item #5, SR #14602, <https://portal.laserfiche.com/Portal/DocView.aspx?id=59114&repo=r-704298fc>

increase compensation for basic and additional services by \$8,237,021, from \$604,247. Task 3 Services were funded by the Secondary Treatment Upgrades Project (WQ-19001).⁹

On October 23, 2023, City Council approved Amendment No. 3 to Contract C21179265C with Carollo to increase compensation for basic and additional services by \$388,538, from \$8,841,268 to \$9,229,806. Task 1A Services were funded by the Primary Sedimentation Tank Rehabilitation Project (WQ-14003).¹⁰

Amendment No. 4 to Carollo Contract C21179265C will increase compensation for basic and additional services by \$4,151,386, from \$9,229,806 to \$13,381,192. The Local AWPS Project final completion date is expected to be in June 2027. Amendment No. 4 to the Carollo Contract C21179265C will not change the current contract end date of March 31, 2028.

Black and Veatch Design Contract Amendment No. 2

On March 10, 2021, City Council approved a professional services contract for design services with Black and Veatch (B&V) for the Local AWPS Project at the RWQCP. The original contract amount was \$3,182,960, including \$2,893,600 for basic services and \$289,360 for additional services. The current contract expiration date is June 30, 2024.¹¹

After initial contract award, B&V progressed through the 30%, 60%, and 90% design stages. At 60% design, staff was informed by the City's Planning Department that the project would require a Major Architectural Review and then approval of a Site and Design Review from Council. Staff submitted an application at the 90% design stage and worked with the Planning and Development Services Department to move the project through the Planning and Transportation Commission, Architectural Review Board, and City Council¹².

ANALYSIS

C21179265C Construction Management Contract Amendment No. 4

On January 16, 2024, staff issued a Request for Work Order Proposal to each of the five construction management consultants with a scope of services and a list of tasks needed for the upcoming Local AWPS construction project (i.e., Work Order #5). Three proposals were received

⁹ City Council, December 5, 2022; Agenda Item #8, SR #14710,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59033&repo=r-704298fc>

¹⁰ City Council, October 23, 2023; Agenda Item #4, SR# 2309-2090,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=68316&repo=r-704298fc>

¹¹ City Council, March 3, 2021; Agenda Item #3, SR #11782,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=95&repo=r-704298fc&searchid=c6020df0-5272-425f-a399-0d29b1a69b6>

¹² City Council, May 13, 2024; Agenda Item #11, SR#2404-2760,
<https://portal.laserfiche.com/Portal/PdfViewer.aspx?file=https%3A%2F%2Fportal.laserfiche.com%2FPortal%2FElectronicFile.aspx%3Fdocid%3D72055%26repo%3Dr-704298fc%26pdfView%3Dtrue#page=153>

from Carollo Engineers, CDM Smith, and MCK Americas, with prices ranging from \$2,776,304 to \$4,320,562 (Table 1).

Table 1: Summary of Request for Work Order Proposals (Task Order #5)	
Proposal Description	Request for Work Order Proposal #5
Proposed Length of Project	3 years
Number of Vendors Notified	5
Number of Proposal Packages Downloaded	5
Request for Work Order Proposal Issued	January 16, 2024
Total Days to Respond to Proposals	45
Deadline for Questions and Clarifications	February 15, 2024
Proposals Due Date	March 1, 2024
Proposals Received	3
Firms Interviewed	2
Proposals Price Range	\$2,776,304 to \$4,320,562

An evaluation panel consisting of RWQCP Engineering staff and WQCP CIP Program Management staff reviewed the three proposals. Staff carefully reviewed each firm's qualifications and submittal in response to the criteria identified in the Request for Work Order Proposal, including quality and completeness of the proposal, quality and effectiveness of services, and experience of their staff with projects of similar complexity and scope. Two firms were selected for interviews.

Staff recommends amending the contract with Carollo, who has provided adequate construction management services to existing large capital projects at the RWQCP. The firm demonstrated clear understanding of the Local AWPS project needs. The proposal included staff that have construction, operations, electrical engineering, and owner's experience integrated in the same team. Carollo's proposal had the lower cost of the two interviewed firms. Total costs are shown in Table 2 below.

Table 2: Carollo Engineering, C21179265C, Authorized Funding			
<i>Staff Report</i>	<i>Basic Services</i>	<i>Additional Services</i>	<i>Not-to-Exceed Total</i>
Initial contract, ¹³ 6/21/22	\$1	--	\$1
Amendment #1, 11/14/22, 12 kV Electrical Power Distribution Loop Rehabilitation Package 1 Project (WQ-19002) ¹⁴	\$549,314	\$54,932	\$604,246

¹³ City Council, June 21, 2021; Agenda Item #21; SR # 12324.

<https://www.cityofpaloalto.org/files/assets/public/v/2/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2021/id-12324.pdf>

¹⁴ City Council, November 14, 2022; Agenda Item #5, SR #14602

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59114&repo=r-704298fc>

Amendment #2, 12/5/22, Secondary Treatment Upgrades Project (WQ-19001) ¹⁵	\$7,488,201	\$748,820	\$8,237,021
Amendment #3, 10/10/23 Primary Sedimentation Tank Rehabilitation Project (WQ-14003) ¹⁶	\$246,700	\$141,838	\$388,538
Amendment #4, 6/3/24 Local Advanced Water Purification System (WQ-14003)	\$3,773,987	\$377,399	\$4,151,386

Black and Veatch Design Contract Amendment No. 2

Staff recommends that City Council approve Amendment No. 2 to extend the duration of the Black & Veatch design contract to December 31, 2027, given the delayed construction start date and need for design services during construction.

FISCAL/RESOURCE IMPACT

Funding of \$1.1 million for the Carollo contract is available in the Fiscal Year 2024 Wastewater Treatment Fund Adopted Capital Budget for the Local Advanced Water Purification System Capital Improvement Program project (WQ-19003). In the Fiscal Year 2025 Proposed Capital Budget, a total of \$63.5 million has been proposed for WQ-19003 for construction, construction management, and design, subject to Council approval. Staff is currently working with staff from the Clean Water State Revolving Fund (SRF) program and US Bureau of Reclamation (USBR) to formalize a loan and grant agreement, respectively, and will return to City Council later this year or early next year for approval prior to the start of construction.

The project's construction management services will be expensed against the project budget. Paid invoices will be promptly submitted for reimbursement to Valley Water, the SRF program, and the USBR.

Amendment #2 of the Black & Veatch design contract does not include an increase to the original contract compensation.

STAKEHOLDER ENGAGEMENT

A summary of stakeholder engagement for this Project is included in Staff Report #2403-2760, which recommended Council approval of the Site and Design Application¹⁷.

ENVIRONMENTAL REVIEW

¹⁵ City Council, December 5, 2022; Agenda Item #8, SR #14710
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59033&repo=r-704298fc>

¹⁶ City Council, October 23, 2023; Agenda Item #4, SR# 2309-2090
<https://portal.laserfiche.com/Portal/DocView.aspx?id=68316&repo=r-704298fc>

¹⁷ City Council, May 13, 2024; Agenda Item #11, SR#2404-2760,
<https://portal.laserfiche.com/Portal/PdfViewer.aspx?file=https%3A%2F%2Fportal.laserfiche.com%2FPortal%2FElectronicFile.aspx%3Fdocid%3D72055%26repo%3Dr-704298fc%26pdfView%3Dtrue#page=153>

Council action on this item is within the scope of the City of Palo Alto Recycled Water Project Environmental Impact Report and Addendum (SCH 2011062037). The Council adopted a Notice of Determination for the Project on November 18, 2019.¹⁸

ATTACHMENTS

Attachment A: Amendment #4 to Contract C21179265C with Carollo Engineers, Inc

Attachment B: Amendment #2 to Contract C21178333 with Black & Veatch

APPROVED BY:

Brad Eggleston, Director Public Works/City Engineer

¹⁸ City Council, November 18, 2019; Agenda Item #17, SR #10627,
<https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2019/id-10627-mini-packet-11182019.pdf?t=60382.02>