



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: February 10, 2025

Staff Report: 2407-3222

TITLE

Approval of Two Professional Service Agreements: Contract No. C25190944A with 4Leaf, Inc. and Contract No. C25190944B with Park Engineering, Inc in the Aggregate Amount Not-to-Exceed \$3.75 Million for a Period of Five Years for On-Call Field Inspections and Construction Management Services to Support Utilities Water, Gas, and Wastewater Capital Improvement Projects; CEQA Status: Not a project.

RECOMMENDATION

Staff recommends that the City Council approve and authorize the City Manager or designee to execute two professional service agreements with the following service providers in the combined total amount not-to-exceed \$3.75 million for a period of five years for on-call field inspections and construction management services for Water, Gas, and Wastewater Capital Improvement Projects:

- 1) Contract No. C25190944A with 4Leaf, Inc. (Attachment A), and
- 2) Contract No. C25190944B with Park Engineering, Inc. (Attachment B)

EXECUTIVE SUMMARY

The current total cost projections for water, gas, and wastewater (WGW) main replacement capital improvement projects (CIPs) is \$14 million per year for over the next five years, in addition to \$14 million for two water reservoir storage tank upgrade projects expected within the next five years. These projects will require construction staffing resources with specific utility expertise, and generally, a total of 10% of each Utilities Department CIP total project cost is budgeted for internal or external field inspections and construction management. These on-call services contracts will provide construction management and inspection services when there is 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 requested Council approval is for an aggregate not-to-exceed amount of \$3.75 million over five years in construction management and field inspection services needed to support the WGW CIPs described above, to be distributed between the two on-call professional service agreements. Staff anticipates WGW main replacement projects will use up to \$750,000 annually; however, multiple WGW projects may be ongoing in the same year so these are noted as estimates, not an annual cap. The work will be assigned based on each contracting firm's hourly rates, staff availability, and specialized expertise, with City staff executing a CIP-specific Task Order under the appropriate contract. Each contract includes a five-year extension option. Council approval is required for exercising any of these options.

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 a peak in WGW CIP workload in coming years that exceeds engineering staffing resources for field inspection and construction management. These projects will require contract inspectors and construction managers with utility-specific experience when there is insufficient internal staff. Occasionally, some projects, such as the Water Reservoir Storage Tank Upgrade and Rebuild Project or Arastradero Creek Restoration Project, will require inspectors or construction managers with specialized expertise. Having two on-call field inspection and construction management services contracts for WGW CIPs 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.

When soliciting contract inspectors or construction managers for a specific CIP, 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 two companies under contract allows flexibility to onboard a qualified candidate and ensure the CIP starts on time with qualified staff.

The agreements with 4Leaf, Inc. and Park Engineering Inc. will replace the current five-year agreements with 4Leaf, Inc. and Park Engineering, Inc. that are set to expire in February 2025 (Council [Report ID # 10878](#)¹).

ANALYSIS

Generally, a total of 10% of Utilities' CIP total project cost is budgeted for internal or external field inspections and construction management. Currently the WGW division has three (3) full-time inspectors that provide oversight of construction activities performed by contractors on WGW CIP projects. However, depending on the number of projects underway at a given time, 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 multiple concurrent CIPs.

Summary of Solicitation Process

A Request for Proposal ([RFP #190944](#)²) for on-call field inspection and construction management services across WGW, electric, and fiber divisions, was issued via OpenGov on June 4, 2024. A total of 3,258 providers were notified in the City's electronic procurement system. At the end of the advertisement period, two proposals for WGW CIPs were received from 4Leaf, Inc. and Park Engineering, Inc. The criteria in selecting the firms include experience in working on WGW 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 firms to be satisfactory. A third firm, CMI Contractors, Inc., responded for the electric and fiber services, which will come before Council separately.

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 expire on February 28, 2025 (Council Report ID # 10878).

Staff recommends the contracts be awarded to 4Leaf, Inc. and Park Engineering, Inc 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 WGW 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

¹ Council Report ID # 10878 <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10878-mini-packet-02.10.20.pdf?t=40116.21>

² RFP #190944 <https://procurement.opengov.com/portal/palo-alto-ca/projects/98927>

appropriately qualified staff are assigned to each Task Order, and managing each Task Order budget. To provide checks and balances, the Utilities’ Strategic Business Manager and their team will assist in overall contract management ensuring activities remain within authorized levels.

Table 1: Summary of Request for Proposal		
Proposal Title	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 Providers 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>	Field Inspector: \$151.82/hour to \$184.51/hour	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	
4Leaf, Inc.	2126 Rheem Drive, Pleasanton, CA 94588	
Public Link to Solicitation	OpenGov System-Solicitation Information	

A total not to exceed amount of \$3.75 million is being requested for a five-year contract term to support the upcoming utility capital improvement projects. When the City plans WGW 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 \$3.75 million to be distributed between the two professional service agreements for WGW inspection and construction management services over the initial term of five years. Staff anticipates WGW replacement projects will use up to \$750,000 annually. There is sufficient funding budgeted in FY 2025 in the WGW capital improvement projects, examples are 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-19002	Colorado Substation Site Improvements	\$1,138,394
Water	WS-09000	Water Tank Seismic Upgrade and Rehabilitation	\$1,037,832

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 the WGW services contracts. 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 C25190944A
- Attachment B: Contract with Park Eng; Contract C25190944B

APPROVED BY:

Kiely Nose, Interim Director of Utilities
 Staff: Matt Zucca, Assistant Director of WGW Utilities