



CITY COUNCIL STAFF REPORT

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: May 08, 2023

Staff Report: 2301-0808

TITLE

Approval of Contract Number C23186907¹ With Cratus, Inc. in an Amount Not-to-Exceed \$7,707,055 for Sanitary Sewer Replacement Project 31 (WC-19001) on El Camino Real and Page Mill Road; Authorization for the City Manager to Negotiate and Execute Related Change Orders for a Total Not-to-Exceed Amount of \$8,360,555; and Approval of Budget Amendments in the Wastewater Collection Fund; CEQA status: categorically exempt under CEQA Guidelines Sec. 15301 and 15302

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the City Manager or their designee to execute contract C23186907 with Cratus, Inc. in an amount not-to-exceed \$7,707,055 for the Sanitary Sewer Replacement Project 31 (WC-19001) capital improvement project on El Camino Real from Page Mill Road to Cesano Court, and on Page Mill Road from Hansen Way to Ash Street.
2. Approve and authorize the City Manager or their designee to negotiate and execute one or more change orders to the contract with Cratus, Inc. for related additional but unforeseen work, which may develop during the project, the total value of which shall not exceed \$653,500 or 8.5% of the contract amount. The total authorized not-to-exceed expenditure amount is \$8,360,555, which includes the contract amount of \$7,707,055 and an 8.5% contingency of \$653,500.
3. Amend the Fiscal Year 2023 Budget Appropriation Ordinance for the Wastewater Collection Fund (requires a 2/3 vote) by:
 1. Increasing the Sanitary Sewer Replacement Project 31 (WC-19001) CIP budget by \$1,335,244; and
 2. Decreasing the Wastewater Collection Fund Reserve by \$1,335,244.

¹ Contract C23186907 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/04-08-2023-attachment-a-c23186907-ssr31.pdf>

BACKGROUND

This project is part of the Council approved capital improvement program designed to ensure reliable wastewater services for the City of Palo Alto residents and customers, implementing high-priority rehabilitation, augmentation, and lateral replacement work that reduces inflow and infiltration of stormwater and groundwater into the collection system. Using the data from CCTV inspection and on-going routine maintenance reports provided by Utility Operations, staff has identified sewer mains on El Camino Real and Page Mill Road as needing rehabilitation. The planned areas are prioritized based on system maintenance needs, Caltrans and County of Santa Clara street improvement/re-paving projects, and the goals of the Sanitary Sewer Management Plan (SSMP).

DISCUSSION

The scope of this contract includes replacement of approximately 10,924 linear feet of sanitary sewer mains of various sizes and replacement/rehabilitation of 43 sewer manholes on El Camino Real and Page Mill Road. The sewer main on El Camino Real is of particular concern because recent camera inspections showed many sections of the pipe wall need repair. Accordingly, proceeding with the project is important to avoid the risk that the main on El Camino Real could collapse before replacement.

The existing vitrified clay pipe (VCP) mains will be replaced with high-density polyethylene (HDPE) pipe. In addition, 89 existing City-owned sewer service laterals and cleanouts will be replaced with new 4" and 6" HDPE service laterals and cleanouts. All new service laterals will be installed from the new sewer main (usually located in the street) to the new sewer cleanouts (located in a planting strip or in the sidewalk). Any excavations as part of the work will be restored in kind when construction is completed.

The project areas are within Caltrans and County of Santa Clara rights-of-way; therefore, the work will be performed in accordance with Caltrans or County encroachment permit requirements. Approximately 40% of the work under this contract is required to be performed during the night because Caltrans does not allow 2-lane closures during the day. Caltrans also limits daytime construction to 6 hours per day, typically from 9:00 AM to 3:00 PM, Monday through Friday. Work performed at night that requires 2-lane closures will be between 10:00 PM or 11:00 PM (depending on the direction of traffic) and 7:00 AM, Sunday through Thursday. No construction work will be allowed during the winter holiday period between December 22, 2023 and January 2, 2024. Caltrans also restricts construction one workday before and after State-observed holidays. The construction period for each block will vary depending on the construction method and the extent of work to be done.

Critical Project Timeline

Caltrans plans to start a street improvement project in late summer 2023 to repave El Camino Real which overlaps the boundary of SSR 31. It is critical to start the sewer main replacement project by July or August to stay ahead of Caltrans' paving schedule to avoid digging up newly paved streets. Utilities Operations performed CCTV inspection of the existing sewer mains on El

Camino Real and confirmed that these mains are at a greater risk of failure over the next few years due to structural defects such as broken or missing sections of pipes.

Prequalification

California Public Contract Code section 20101 and City Policy and Procedure 1-44 (Prequalification of Contractors) permit public agencies to pre-qualify prospective bidders on public works projects for a single project or for a one-year period, in order to determine whether bidders demonstrate the quality, financial fitness, capacity, and experience to perform work successfully and on time. Public agencies may use model questionnaires and rating guidelines created by the California Department of Industrial Relations, or they may customize them to suit their specific needs for each project.

Staff worked with the City's attorneys to modify the DIR's questionnaire and rating system, using objective criteria applied uniformly to each prospective bidder. On December 5, 2022, staff posted a notice inviting general contractors to submit prequalification questionnaires through the City's eProcurement system. The invitation was open for 25 calendar days. On December 29, 2022, thirteen general contractors submitted prequalification questionnaires. Staff conducted reference checks based on the list of projects submitted by the contractors and scored each questionnaire according to set of objective criteria that was established prior to publishing the notice inviting prequalification. All thirteen of the contractors prequalified.

Bid Process

On January 5, 2023, the City posted a notice inviting formal bids (IFB) for the Sanitary Sewer Replacement Project 31 on the City's electronic procurement system, PlanetBids. The bidding period was 29 calendar days. Two contractors submitted bids on February 2, 2023, as listed on the attached Bid Summary Table². The general reason for other pre-qualified contractors not bidding is due to manpower availability. They are either too busy with other projects or unable to assign adequate internal staff to provide two crews to perform work covering both day and night shifts.

BID NAME/NUMBER	SANITARY SEWER REPLACEMENT PROJECT 31, CIP WC-19001, IFB NUMBER 186907
Proposed Length of Project	280 Calendar days
Number of Bids Mailed to Contractors	0 (electronic documents were available in PlanetBids)
Number of Bids Mailed to Builder's Exchanges	0 (electronic documents were available in PlanetBids)
Total Days to Respond to Bid	29
Pre-Bid Meeting?	Yes (Mandatory)

² Bid Summary Table <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/04-08-2023-attachmnet-b-bid-summary-table.pdf>

Number of Prequalified Company Attendees at Pre-Bid Meeting	8
Number of Bids Received:	2
Bid Price Range	\$8,360,555 to \$10,194,670

*Bid summary provided in the attached table.

Staff has reviewed the submitted bids and recommends that the total bid of \$8,360,555 submitted by Cratus, Inc. be accepted and that Cratus, Inc. be declared the lowest responsible and responsive bidder. The contract award will be just for the Base Bid amount of \$7,707,055. Cratus provided pricing on additional alternative items in the amount of \$653,500, which the City may at its discretion require, as further specified in Section 7.2 of the Construction Contract, depending on site conditions and coordination needs related to Caltrans' concurrent street improvement project. The bid is approximately 35 percent above the staff engineer's estimate of \$6,193,658. The contractors indicated the reason for the elevated cost is mainly due to Caltrans' requirements for construction on El Camino Real, which include the following:

- The limited workhours (6 hours during the day and 7 hours during the night) on El Camino Real significantly decrease the efficiency of the pipe replacement construction.
- Slurry cement backfill with a concrete cap is required on El Camino Real, instead of traditional crushed rock and class 2 aggregate backfill with asphalt concrete for sewer trenches.
- 40% of the work is required to be performed during the night which increases costs because concrete and slurry plants have additional charges for after-hour operations.

Staff recommends awarding the contract for the Base Bid amount of \$7,707,055, which reflects the work included in the project's base scope of work. The contingency amount of \$653,500, which represents 8.5 percent of the total contract, is requested for additional work that may be needed during the project. Additional work is possible with construction projects because during construction there may be previously unknown obstructions or ground conditions that require changes in how construction will proceed, leading to change orders that may create additional costs. A contingency fund is necessary to prevent significant delays in the project to handle these unforeseen conditions, which could otherwise result in longer road closures and disruptions. Any unspent contingency funds are returned to reserves at the end of the project.

Staff confirmed with the Contractor's State License Board that Cratus, Inc. has an active and appropriate contractor's license for performing the work. Staff contacted references provided by Cratus, Inc. for previous work performed and received positive feedback. Staff also confirmed that Cratus, Inc. is registered and in good standing with the Department of Industrial Relations (DIR). In addition, Cratus, Inc. has contracted with the City on the Sanitary Sewer Replacement Project 30 and has demonstrated the knowledge and ability needed to complete this project (SSR 31) on schedule and within budget.

FISCAL/RESOURCE IMPACT

Funding of \$7,125,311 is available in the FY 2023 Adopted Capital Budget for WC-19001 (Wastewater Collection System Rehabilitation/Augmentation Project 31). Therefore, staff recommends an appropriation of \$1,335,244 in the FY 2023 Wastewater Collection CIP WC-19001 and offset by a reduction in the Wastewater Collection Reserve. The increased project funding of \$1,335,244 being requested is needed to account for economic fluctuations in material and construction costs, staff cost increases over the past five years, and the stringent work and traffic control requirements by Caltrans.

Summary of Project Costs for Sanitary Sewer Replacement 31 (WC-19001)

Actual to Date: FY'23 Design, Pre-Construction Cost, City Pre-Ordered Pipe (to avoid supply chain delay)	\$174,689
Construction Costs	\$8,360,555
Construction Management (Engineering & Inspection Staff Time)	\$100,000
Total Project Costs	\$8,635,244
Total Actuals to Date (design/pre-construction cost/pre-ordered pipe)	\$174,689
WC-19001 Budget Available	\$7,125,311
Additional Funds Needed	\$1,335,244

The size of this project significantly exceeds the City's in-house construction resources making it necessary to contract out the work.

POLICY IMPLICATIONS

The approval of this contract is consistent with existing City policies including the Council approved 2018 Utilities Strategic Plan-Strategic Objectives: Priority 4: Financial Efficiency and Resource Optimization Tactical Action Plan, which established a proactive infrastructure replacement program, based on planned replacement before failure to support reliability and resiliency. Facing an evolving utility business environment, aging infrastructure needs, and sustainability objectives, CPAU must maintain a competitive position in the market. Remaining financially sustainable and competitive in the market while optimizing resources is key to maintaining and enhancing value to customers.

STAKEHOLDER ENGAGEMENT

The project is located on El Camino Real from Page Mill Road to Cesano Court, and on Page Mill Road from Hansen Way to Ash Street within the City. Project locations are shown in the attached site map³. The City will provide written notification to all affected property occupants by mail prior to the start of construction. Cratus, Inc. will also provide two written notifications of the work to all abutting property occupants, one at least 15 days prior to the commencement of work at their specific locations, and a second 24 hours prior to mobilization.

³ Index Site Map <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/04-08-2023-attachment-c-index-map.pdf>

The City's Utilities, Public Works, and Transportation Departments have been coordinating with Caltrans and the County of Santa Clara with their street re-paving projects on El Camino Read and Page Mill Road. Caltrans plans to start their project in late summer 2023. Staff will continue to coordinate with Caltrans during construction to help ensure contractors' work is appropriately sequenced.

ENVIRONMENTAL REVIEW

This project is categorically exempt from California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15301 (repair, maintenance of existing facilities) and 15302 (replacement or reconstruction of existing facilities).

ATTACHMENTS

Attachment A: C23186907 SSR31

Attachment B: Bid Summary Table

Attachment C: Site Index Map

APPROVED BY:

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Staff: Christian Ramirez, Associate Engineer