



## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: Utilities**

**Meeting Date: October 16, 2023**

Staff Report: 2307-1742

### **TITLE**

Approval of Contract Number C24187903<sup>1</sup> With Daleo, Inc. in the Amount of \$7,826,860 for the Gas Main Replacement Project 24B (GS-14003) on University Avenue and surrounding streets in the University Park and Crescent Park neighborhoods, at a business district complex adjacent to Geng Road, and at Town & Country Village Plaza at Embarcadero Road and El Camino Real including water main and service replacements at this location; Authorization for the City Manager to Negotiate and Execute Related Change Orders Not-to-Exceed of \$782,686, for a Total Not-to-Exceed Amount of \$8,609,546; and Approval of Budget Amendments in the Gas and Water Funds. CEQA status – Exempt per CEQA Guidelines 15302(c) (Replacement or Reconstruction of Existing Facilities).

### **RECOMMENDATION**

Staff recommends that Council:

1. Approve and authorize the City Manager or their designee to execute contract C24187903<sup>1</sup> with Daleo, Inc. in an amount not-to-exceed \$7,826,860 for the Gas Main Replacement 24B project (GS-14003) on University Avenue and surrounding streets in the University Park and Crescent Park neighborhoods, at a business district complex adjacent to Geng Road, and at Town & Country Village Plaza at Embarcadero Road and El Camino Real including water main and service replacements at this location.
2. Approve and authorize the City Manager or their designee to negotiate and execute one or more changes to the contract with Daleo, Inc. for related additional but unforeseen work, which may develop during the project, the total value of which shall not exceed \$782,686 or 10% of the contract amount. The total authorized not-to-exceed expenditure amount is \$8,609,546, which includes the contract amount of \$7,826,860 and a 10% contingency amount of \$782,686.

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<sup>1</sup> Contract C24187903 <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/10-02-2023-id-2307-1742-attachment-a-c24187903.pdf>

3. Amend the Fiscal Year 2024 Budget Appropriation for the Gas Fund (requires 2/3 approval) by:
  - a. Decreasing the Gas Main Replacement 25 project (GS-15000) expenses by \$1,021,151;
  - b. Increasing transfers-in from the Water Fund to the Gas Main Replacement 24B project (GS-14003) by \$171,590; and
  - c. Increasing the Gas Main Replacement 24B project (GS-14003) expenses by \$1,192,741.
4. Amend the Fiscal Year 2024 Budget Appropriation for the Water Fund (requires 2/3 approval) by:
  - a. Decreasing Water Fund Operations Reserves by \$171,590; and
  - b. Increasing transfers to the Gas Fund by \$171,590.

### **EXECUTIVE SUMMARY**

The Gas Main Replacement (GMR) 24B project (GS-14003) is part of the Council-approved Capital Improvement Program (CIP) designed to ensure reliable gas service for the City of Palo Alto residents and customers. The project targets the replacement of polyvinyl chloride (PVC) and black-wrapped steel pipe (BWP) distribution main and service pipes that are near or past their operational life expectancy with polyethylene (PE) pipelines. Work will be done on University Avenue and surrounding streets in the University Park and Crescent Park neighborhoods, at a business district complex adjacent to Geng Road, and at Town & Country Village Plaza at Embarcadero Road and El Camino Real (Project Area). The City anticipates starting construction in February 2024 and completing construction in April 2025.

Funding from Gas Main Replacement 25 project (GS-15000) will be used to fund a portion of the work in GS-14003, and GS-15000 will be designed with a reduced scope. In addition, funding from the Water Fund will be transferred to GS-14003 to replace water mains and services at the same time the gas lines are being replaced at Town & Country Village.

This action advances 2023 Council Priority Community Health and Safety, Outcome zz: Begin construction of the gas main replacement project 24B.

### **BACKGROUND**

Over time, PVC pipe material becomes embrittled and is susceptible to cracking during excavation and earth movements, which result in gas leaking from the pipelines. Steel pipe material has an increased chance of becoming corroded and eventually leaking when isolated from the cathodic protection system or receiving low cathodic protection current. Repairs on PVC and steel pipelines require specialized tooling and can be very time consuming, disruptive, and difficult. The PVC and steel pipelines are typically replaced with polyethylene (PE) pipelines, which have greater elastic properties and do not require cathodic protection.

Replacing the gas distribution system with PE will enhance the reliability of the gas distribution system, make the system more resilient against corrosion and earth movements, eliminate potential leaks, reduce maintenance costs, and extend the useful life of the gas distribution system. In addition, unlike PVC gas main and services, the new PE pipelines will be installed with a metallic tracer wire, which increases the pipeline locating accuracy and reduces pipe ruptures during excavation. The Distribution Integrity Management Plan (DIMP) ranks construction excavation as the greatest risk to the City's gas system due to the potential for homeowners and contractors damaging mismarked pipelines and causing a hazardous leak. The Project Area contains a relatively large concentration of people and traffic and is considered a potentially high-consequence area for gas leaks. Replacement of the gas distribution mains and services will reduce the overall risk, maintenance costs, and emergency repair disruptions to these areas.

There are two active Grade 3 gas leaks in the Project Area, one on a PVC pipeline at University Avenue and Chaucer Street and one on the steel pipeline in the 500 block of Hale Street. Grade 3 gas leaks are not considered imminently hazardous and are monitored and resurveyed annually. This section of gas main was not part of the Upgrade Downtown Project. The replacement of these sections of pipelines on this project will eliminate these gas leaks. The remaining sections of PVC and steel pipe are recommended for replacement to improve the overall safety and efficiency of the gas distribution system. Replacement of PVC and corroded steel distribution main and services is also required to achieve the City's planned CIP schedule and will minimize greenhouse gas emissions from leaking or damaged PVC and steel pipelines, having a positive impact on the environment.

The work scheduled at Town & Country Village has been coordinated with the Town & Country Village property management company (Ellis Partners), as well as Palo Alto High School (PAHS), and construction will be performed while PAHS is on summer break, between June 3, 2024 and August 13, 2024. While the Project Area also includes portions of the University Avenue Downtown District, no construction will be permitted in this area between Thanksgiving and New Year's (November 25, 2024 through January 1, 2025) to avoid disruptions to retailers and shoppers. All construction equipment and materials will be removed from the University Avenue Downtown District during this shutdown.

## **ANALYSIS**

### **Project Description**

The work to be performed under this contract C24187903 is to replace approximately 18,750 linear feet of natural gas mains and services with polyethylene (PE) pipe in neighborhoods of University Park and Crescent Park, a business district complex adjacent to Geng Rd, and Town & Country Village Plaza (see Attachment B). The main sizes being installed are 2-inch, 4-inch, and 6-inch in diameter and the associated installation of services and reconnects are 1-inch and 2-inch in diameter. This project is essential due to the need to replace aging infrastructure and address at least two known gas leaks that may be due to embrittled PVC or steel gas facilities

with ineffective cathodic protection. The PVC gas facilities were installed in the mid 1970's and the steel gas facilities were installed in the 1920's through the early 1950's. These sections of main were prioritized to further the replacement of PVC pipelines and address leak prone steel pipelines in the gas system. Portions of this project replace mains installed on major streets and business districts and take a proactive approach to minimize impacts to the public in the event of a leak.

In addition, this project includes the installation of new 6-inch PVC water piping and replacement of three existing water services at Town & Country at El Camino and Embarcadero Road. The water main replacement portion of Town and Country Village installs approximately 145 linear feet of PVC pipe including three services and two tie-ins. The water system work was requested by the property management company at Town & Country Village due to a tenant improvement project. The Developer is responsible for the cost of approximately 75 linear feet of the main replacement and associated services; however, the City expanded the scope of the water main replacement work to address system improvements and avoid leaving a portion of the old ACP pipe that would need to be replaced in the near future. Funding from the Water Fund being transferred to this project will pay for the City portion of the system improvements.

#### Notifications and Work Restrictions

The City anticipates starting construction in February 2024. The construction hours for this project are 8:00 AM to 4:30 PM, Monday through Friday. Streets with non-standard construction hours start at 9:00 AM and end at 4:00 PM. These streets include University Ave between Webster St and City Limits and Middlefield Rd between University Ave and Hamilton Ave. The Contractor will provide two construction message boards (CMBs) at each end of University Avenue, a minimum of 30 days prior to the start of construction, to notify the public of potential traffic impact. The CMBs will be moved and placed at appropriate locations as the project advances and will remain until all work on University Avenue is complete.

Contractor must schedule work to avoid working on City-specified school routes during the first week of school (August 14, 2024 through August 16, 2024). The Contractor will coordinate with the property manager at Town and Country, located at 855 El Camino Real and Palo Alto High School (PAHS), to facilitate the installation of the new gas pipeline and water pipeline and minimize disruption to businesses. Prior to construction, there will be coordination and delivery of project notices and maps to each business, by mail and by hand. The City will mail out project notices prior to beginning the project. The Contractor will provide 30-day, 15-day, 5-day, and 24-hour notices to Town and Country Village businesses.

## Bid Process

On June 28, 2023, the City posted a notice inviting formal bids (IFB) for the GMR 24B project on the City's electronic procurement system, OpenGov. The bid due date was on July 25, 2023. However, the City decided to extend the bid due date an extra week to allow Contractors additional time to review and submit a competitive bid. The new bid due date was updated to August 1, 2023.

<i><b>Bid Name/Number</b></i>	<i><b>Gas Main Replacement Project 24B (GS-14003), IFB Number 187903</b></i>
<i>Proposed Length of Project</i>	288 working days (Anticipated to start February 2024)
<i>Number of Vendors notified through OpenGov</i>	2708
<i># of Builder's Exchanges notified through OpenGov</i>	2
<i>Number of Bid Packages Downloaded by Vendors</i>	35
<i>Total Days to Respond to Bid</i>	34
<i>Pre-Bid Meeting?</i>	Yes (Mandatory)
<i>Number of Vendors at Pre-Bid Meeting</i>	8
<i>Number of Bids Received:</i>	3
<i>Bid Price Range</i>	\$7,826,859 - \$16,160,929

Staff reviewed the submitted bids and all three bids were responsible and responsive. Staff recommends Daleo, Inc. be awarded the contract as the low bidder listed in the attached Bid Summary (see Attachment A). The contingency amount of \$782,686, which equals 10% of the total contract, is requested for additional unforeseen work that may develop during the project. Additional work is common with construction projects because during construction there may be previously unknown obstructions and 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 Daleo, Inc., and their listed subcontractors, have active licenses on file. Daleo, Inc. has worked on multiple City projects, as recently as March 2023, and has demonstrated the knowledge and ability needed to complete this project on schedule and within budget. Staff checked other references supplied by the contractor for previous work performed and found no significant complaints. Staff also confirmed

that Daleo Inc. and their listed subcontractors are registered and in good standing with the Department of Industrial Relations (DIR).

### **FISCAL/RESOURCE IMPACT**

Funding of \$8,433,545 is available from funds appropriated in the Gas Main Replacement 24B project (GS-14003) as part of the Fiscal Year 2024 Adopted Capital Budget. An additional \$1,192,741 is recommended to be appropriated to GS-14003 to fully fund the not-to-exceed amount of \$8,609,546 and other costs detailed in the table below, offset by a reduction of \$1,021,151 in the FY 2024 Gas Main Replacement 25 project (GS-15000), and a transfer of \$171,590 from the Water Fund. The increased project funding of \$1,192,741 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 traffic control requirements on University Avenue.

Staff applied for a Pipeline and Hazardous Materials Safety Administration (PHMSA) grant in FY2022 for GS-14003; however, the City was not selected to receive the grant award. The notification indicated that the project was 'Highly Recommended'; therefore, staff has submitted another grant application as part of the next round of federal grants issued by PHMSA. Any funding received will be used to replace pipe and complete the full scope of work on GS-15000 (Gas Main Replacement 25 or GMR 25). In the meantime, GS-15000 will have the project scope reduced unless grant funding is approved.

### **Summary of Project Costs for GMR 24B Project (GS-14003)**

Pre-Design/Design Costs	\$54,720
Material (City Provided)	\$3,500
Construction Costs	\$7,826,860
10% Contingency	\$782,686
Staff Time (Includes Engineering, Operations, & Inspection)	\$824,575
Trench Cut Fees	\$113,945
Soil Compaction Testing	\$20,000
<b>Total Project Cost</b>	<b>\$9,626,286</b>
GS-14003 Budget Available	\$8,433,545
<b>Additional Funds Needed</b>	<b>\$1,192,741</b>

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

## **STAKEHOLDER ENGAGEMENT**

Utilities infrastructure work has been coordinated with Public Works street paving activities to comply with City's pavement moratorium and to avoid cutting into streets that have been paved within past 5 years. Staff's GMR 24B project communications will include project notifications mailed to all residents and businesses near the vicinity of University Ave and surrounding streets in the University Park and Crescent Park neighborhoods, a business district complex on Geng Road, and Town & Country Village Plaza at least 30 days prior to the commencement of work. Daleo, Inc. will distribute project notifications to each property a minimum of 15 days and again 24 hours prior to beginning work. Additional project notification will be provided to the businesses at the Town & Country Village and Palo Alto High School. The Contractor will provide two Construction Message Boards (CMBs) at each end of University Avenue a minimum of 30 days in advance of beginning work on University Avenue. The CMBs will be moved as the project advances and will remain until all work on University Avenue is complete. A link to the City website for the GMR 24B project will be included in the mailed project notifications. Additional communications will be distributed to the subscribers through the City online social media accounts using Twitter, Facebook, Instagram, and Nextdoor. The construction is expected to commence on February 2024 and be completed by April 2025.

## **POLICY IMPLICATIONS**

The approval of this contract and implementation of this project are consistent with existing City goals, policies, programs, and plans including:

### Utilities Strategic Plan

The recommendation conforms with the 2018 Utilities Strategic Plan Priority 4 Strategy 1: "Establish a proactive infrastructure replacement program, based on planned replacement before failure to support reliability and resiliency."

## **ENVIRONMENTAL REVIEW**

The project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15302(c), replacement or reconstruction of existing utility systems or facilities.

## **ATTACHMENTS**

Attachment A: GMR24B Bid Summary Table

Attachment B: GMR24B Project Locations Map

## **APPROVED BY:**

Dean Batchelor, Director Utilities

Staff: Aaron Perkins, Principal Gas Engineer