



COUNCIL REPORT

DATE: January 23, 2024

CATEGORY: Consent

DEPT.: Public Works

TITLE: **San Antonio Area Sewer Improvements, Construction (Phase II), Project 19-45— Construction Contract**

RECOMMENDATION

1. Appropriate and transfer \$494,000 from the Wastewater Capacity Fee Fund to San Antonio Area Sewer Improvements, Construction (Phase II), Project 19-45, increasing the project budget from \$2,349,000 to \$2,843,000. (Five votes required)
2. Authorize the City Manager or designee to award a construction contract to K.J. Woods Construction, Inc., for \$2,009,000, which includes a \$183,000 construction contingency.

BACKGROUND

On [October 10, 2023](#), the City Council approved the plans and specifications for San Antonio Area Sewer Improvements, Construction (Phase II), Project 19-45 (Project), and authorized staff to advertise the project for bids. The Project will include a newly designed sewer metering system to reduce operational and capacity issues of the sewer meter and reroute segments of a wastewater pipeline to increase capacity (Figure 1). The meter at this location, known as the Alma Recorder, is one of the meters used by the City of Palo Alto to account for wastewater flow to bill the City for wastewater treatment.

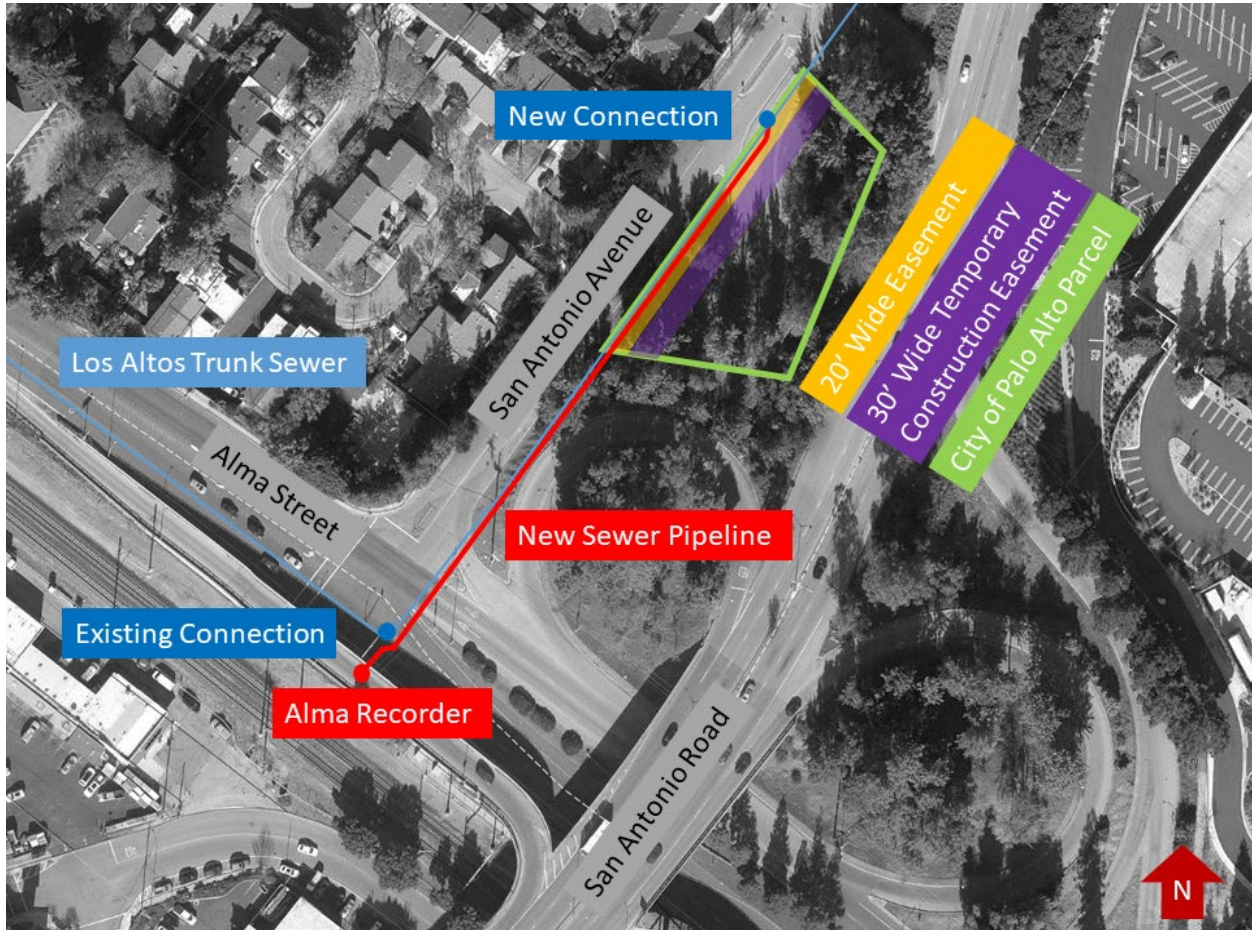


Figure 1: Project Location Showing Pipeline Alignment, City of Palo Alto Parcel, and Easements

ANALYSIS

The Project was advertised for bids on October 27, 2023. The City received one bid from K.J. Woods Construction, Inc. (K.J. Woods), on December 11, 2023 for \$1,948,000, which included a \$122,000 construction contingency. The Engineer's Estimate was \$1,343,000.

The bid received is \$605,000 higher than the Engineer's Estimate. Material pricing volatility and the limited availability of pipeline materials and the packaged sewer metering manhole¹ contributed to the higher costs. From discussions with the contractor, the risks and uncertainties associated with working in a high-traffic area with congested, existing underground utilities as well as an overhead off-ramp also led to higher bid costs than estimated.

¹ The packaged sewer metering manhole consists of a flume, liquid-level measurement device, and other instrumentation inside a manhole to measure the flow of sewage.

In addition, the Project requires specialized construction and installation services for the new sewer metering manhole. The required experience and limited eligible contractors for this Project, appears to have resulted in the single bid and also likely contributed to a higher bid amount.

The options for moving the Project forward are to award the contract to K.J. Woods as the lowest responsive, responsible bidder or reject the bid and rebid the Project. Staff does not recommend rebidding the Project for the following reasons:

1. This Project requires specialized construction and installation services for a new sewer flow meter. This required experience will likely continue to limit eligible contractors to bid on the Project.
2. Rebidding the Project may result in higher bids due to continuous material and labor price increases from inflation and the start of a new calendar year. Supply chain disruptions that stemmed from the COVID pandemic are still impacting construction, especially for the packaged-metering manhole.

Due to the uncertainties associated with rebidding, staff recommends awarding the construction contract to K.J. Woods. Staff is also requesting to increase the construction contingency by \$61,000 to provide a 10% contingency for the Project, which is a standard practice for most construction projects. The recommended contract award is \$2,009,000, which includes a \$183,000 construction contingency.

If the recommended actions are approved, construction is expected to begin spring 2024 and be completed fall 2024.

FISCAL IMPACT

San Antonio Area Sewer Improvements, Construction (Phase II), Project 19-45, is currently funded with \$530,000 from the Wastewater Fund and \$1,819,000 from the Wastewater Capacity Fee Fund for a total of \$2,349,000. The updated estimated cost for the Project based on the recommended contract amount is as follows:

Construction	\$1,826,000
Construction Contingency	183,000
Project Management	100,000
City Construction Management and Special Inspection	350,000
Consulting Services	200,000
Printing and Other Miscellaneous Costs	10,000
Subtotal	\$2,669,000
 City Administration	 174,000
 TOTAL PROJECT COST	 \$2,843,000
 CURRENT PROJECT BUDGET	 \$2,349,000
 BUDGET SHORTFALL	 \$494,000

Staff requests an appropriation of \$494,000 from the Wastewater Capacity Fee Fund to Project 19-45 to fully fund the Project. There is sufficient balance in the Wastewater Capacity Fee Fund for the recommended appropriation.

ALTERNATIVES

1. Do not approve the recommended funding actions; reject the bid, and direct staff to rebid the Project.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

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931-01-23-24CR
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cc: APWD—Arango, SMA—Doan, F/c (19-45)