



# City of Morgan Hill

## Legislation Details (With Text)

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**Title:** MONTEREY ROAD UTILITY UNDERGROUND - CONTRACT

**Sponsors:**

**Indexes:**

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**Attachments:** 1. Resolution for Monterey Road Utility Underground 6-1-16, 2. Change Order #1 6-1-16 updated, 3. Exhibit A - Budget Scorecard 6-1-16, 4. 10 & 16 Supplement 1

Date	Ver.	Action By	Action	Result
6/1/2016	1	City Council	adopted	

## CITY COUNCIL STAFF REPORT MEETING DATE: JUNE 1, 2016

PREPARED BY: Yat Cho, Associate Engineer, Public Works Department

APPROVED BY: City Manager

### MONTEREY ROAD UTILITY UNDERGROUND - CONTRACT

#### RECOMMENDATION(S)

Adopt resolution approving the following actions;

1. Approve a Deductive Change Order in the amount of (\$177,684) to reflect amended work scope; and
2. Appropriate \$300,000 from Fund 346 to Project #512093 for PG&E work contingency.

#### COUNCIL PRIORITIES, GOALS & STRATEGIES:

##### Ongoing Priorities

- Enhancing public safety
- Protecting the environment
- Maintaining fiscal responsibility

##### 2016 Focus Areas

- Planning Our Community
- Developing Our Community

#### REPORT NARRATIVE:

The City has pursued a utility undergrounding project along Monterey Road from Dunne Avenue to Cosmo Avenue utilizing PG&E's Rule 20A program for several years. Under the Rule 20A program,

proceeds are collected by PG&E from rate payers and held in an account designated for Morgan Hill. The City's account, which is held by PG&E, not the City, currently receives approximately \$78,000 per year and had an account balance of \$2,304,416 as of April 30, 2015. The City selects the location for Rule 20A projects and the Monterey Road location was selected several years ago.

Due to significant contract disagreements between PG&E and the other utility companies with wires on the poles (Verizon & Charter) and due to continually rising PG&E costs to perform necessary work, the City has struggled to get the project completed. However, City staff and PG&E representatives have now agreed on a plan for completing the work in 2016. It is recommended that the City utilize a contractor currently under contract to perform the trenching and installment of conduits and vaults prior to PG&E forces mobilizing to install conductors, necessary wiring and hardware to complete the project.

PG&E has informed the City that there is now some urgency to complete Morgan Hill's Rule 20A project by December 31, 2016. According to PG&E, they are certain to have funds for the Morgan Hill project in this calendar year, however, it will require a California Public Utilities Commission (CPUC) determination if the funds will be available after December 31st. Because PG&E believes there is some amount of funding uncertainty next year, they have asked the City to accelerate the project. To enable PG&E forces to complete their work by December 31st the City's contractor must first complete all the trenching, conduit installation, vault and utility box installation, street light installation, and backfill of all trenches by September. With Council approval of the proposed change order at this time the City's contractor can accomplish this.

#### Existing City Construction Contract:

As noted above, this project has encountered several obstacles primarily due to PG&E's inflexibility in administering Rule 20A projects and with their ever increasing cost estimates. At its July 16, 2014 meeting, the Council awarded a construction contract to Northern Underground Construction for undergrounding work along Monterey Road from Dunne Avenue to Cosmo Avenue. Staff bid the project and proceeded to recommend award based on an understanding of the estimated entire project cost (City contractor work + PG&E forces) and an understanding of what the City had in its Rule 20A account. Shortly after awarding that contract, PG&E informed the City that its costs would exceed, by a large margin, the amount available in the Rule 20A account. The contractor, Northern Underground, was never given a notice to proceed.

The City's options included identifying additional funds or reducing the scope of the project. It was decided to reduce the scope of the project by eliminating several hundred feet of utility undergrounding. The reduced scope required a re-design of the project and re-review process for PG&E. In addition, the former Utility Undergrounding District, which encompassed all properties affected by the original scope to Cosmo Avenue, had to be re-formed to reflect the revised scope. This was approved at the March 18, 2015 Council meeting.

The scope has been revised and the City's contractor has provided a cost to complete the work as reflected in the attached change order. The contract cost has been reduced from \$1,186,289 to \$1,008,605 due to the reduced scope. Staff recommends approval of the change order so the contractor can commence work immediately.

#### PG&E Work Contingency:

Under the Rule 20A program, PG&E requires a contingency in the amount of 15% of their estimated costs to complete their work. This requirement is established to prevent a project from terminating prematurely if, in the event their forces encounter unexpected work, and PG&E's costs exceed those available in the Rule 20A program. Given that all available Rule 20A monies for this particular project are programmed for the completion of the entire project (City contractor work + PG&E forces), it will be necessary for the City to pledge \$300,000 as contingency, which represents 15% of PG&E's direct cost estimated at \$2,000,000. This contingency amount is only for potential PG&E cost overruns. The City's contractor costs will have an additional contingency programmed in the change order. The highest likelihood of extra costs requiring contingency spending will be with the City's contractor. This is because of the unknowns inherent in trenching and excavation work. PG&E's forces, on the other hand, will be completing their work in the conduits and facilities installed by the City's contractor. Unused contingency money will be returned to fund balance.

**COMMUNITY ENGAGEMENT: Inform**

There has been no formal community engagement prior to this recommended action.

**ALTERNATIVE ACTIONS:**

The Council could direct staff to terminate the contract with Northern Underground Construction and re-bid the project with the new scope. According to PG&E representatives, funding beyond December 31st will depend on CPUC approval.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

July 16, 2014 - Award contract to Northern Underground Construction

March 18, 2015 - Established Utility Underground District No. 4 to reflect revised project boundaries

**FISCAL AND RESOURCE IMPACT:**

The contract with Northern Underground Construction, Inc. was awarded on July 16, 2014 in the amount of \$1,186,288.75 and a contingency of \$118,629, for a total contract of \$1,304,917.75. By executing the attached deductive change order, the revised contract amount is \$1,008,605 with a contingency of \$118,629 for a total contract of \$1,127,234.

The City is required to pay for items of work outside of the eligible Rule 20A Program. For this project, that includes the relocation of water and sewer lines and the installation of streetlights. These costs total approximately \$417,813 and funds are included in the previously approved Capital Improvement Program budget and encumbered in Fund 250 (\$249,947) and Fund 350 (\$167,866). PG&E will contribute the remaining \$709,421 for the Northern Underground Construction, Inc. contract. PG&E funds will be placed in Fund 350.

PG&E's total budget for the project is \$3,018,626 and will be paid from the Rule 20A program funds held by PG&E currently, as well as funds to be earned over the next five years. This project will require a \$300,000 appropriation to be set aside for PG&E contingency. This amount is included in the Recommended FY 2017-2022 Capital Improvement Budget in Fund 346. Staff recommends moving this budget forward and appropriating it in FY 2015-16. A budget scorecard is attached. The unused contingency money will be returned to the fund balance.

PG&E will provide 50% of their cost share at the start of the project and the remaining balance will be paid to the City in incremental reimbursements based on invoice submittals. These monies will be placed in the Undergrounding Fund (350) which will be used to pay for PG&E's share of the

construction cost.

**CEQA (California Environmental Quality Act):**

Categorical Exemption

This project is categorically exempt under Section 15302, Section (d) - Conversion of overhead electric utility distribution system facilities to underground including connection to existing overhead electric utility distribution lines where the surface is restored to the condition existing prior to the undergrounding.

**LINKS/ATTACHMENTS:**

Resolution

Contract Change Order

Budget Scorecard