



Public Works Department  
Engineering Division

## MEMORANDUM

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**Date:** February 27, 2007

**To:** Storm Drain Oversight Committee

**From:** Joe Teresi (x2129)  
Senior Engineer

**Subject:** Description of amended FY 2007-08 Storm Drainage Fund budget reflecting a loan from the General Fund Budget Stabilization Reserve to provide supplemental funding for the San Francisquito Creek Storm Water Pump Station (CIP SD-06102)

As you know, the main focus for the Storm Drainage staff for FY 2007-08 is the construction of the San Francisquito Creek Storm Water Pump Station (CIP SD-06102). This project includes the construction of a new storm water pump station, an earthen discharge channel, and modifications to the existing storm drain outfall located adjacent to San Francisquito Creek downstream of Highway 101. The purpose of the new facility is to provide improved drainage in the 1,250-acre area of northeastern Palo Alto served by the existing 96-inch-diameter gravity outfall. The pump station will allow the discharge of storm runoff into the creek even when the creek water surface elevation is higher than the nearby ground surface elevations. This project is the highest priority drainage improvement to be funded by the Storm Drainage Fee increase approved by a majority of property owners in 2005.

The Notice Inviting Formal Bids for the project was posted at City Hall on May 30, 2007 and sent to 10 builders' exchanges and 21 potential bidders. Staff conducted a pre-bid meeting at the site to describe the project to interested contractors and answer their questions. The project was bid for a period of 28 days. Bids were received from three qualified contractors on June 26, 2007 as listed on the attached bid summary. Bids for the base bid work items ranged from a low bid of \$6,938,115 to a high of \$7,298,000.

The low bid for the base bid work items was 26 percent above the engineer's estimate of \$5,500,000. Staff discussed the magnitude of the bids with the bidders and learned that the bids were higher than anticipated due to elevated concrete, steel, and fuel prices and general construction market conditions. Contractors not submitting bids indicated that they were constrained by the workload of preparing other bids and managing other ongoing construction projects. Although the bids received were well above the engineer's estimate for the project, the fact that there were three tightly-priced bids from well-qualified contractors led staff to conclude that the prices were an accurate reflection of the current high-priced local construction market.

In accordance with staff's recommendation, the City Council awarded a contract to Proven Management, Inc. for construction of the pump station in the amount of \$6,938,115. The Council also authorized a construction contingency fund in the amount of \$600,000 to be used to

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resolve unforeseen problems and/or conflicts that might arise during construction. Since the low bid exceeded the budget established for the San Francisquito Creek Storm Water Pump Station CIP, staff worked with the low bidder to identify cost-saving changes that were made to the project design in order to reduce construction costs. Several non-essential components of the pump station were deleted without affecting its functionality. In addition, staff deferred the construction of the feeder storm drain culvert because it is possible that a lower bid price can be secured from a specialty contractor if the storm drain is rebid as a separate construction project. Staff will rebid the construction of the culvert this Spring and has included funding for the culvert in the preliminary FY 2008-09 Storm Drainage Fund CIP budget. Proven Management, Inc. will honor their original bid price for the culvert if the rebid does not result in a lower price for the work. The deferral of the culvert and the elimination of several non-essential items resulted in a deductive change order to the contract in the amount of \$661,500.

The total cost of the construction contract, construction contingency, design contract amendment, and expected miscellaneous construction stage expenditures exceeded the available budget in Storm Drainage Fund Capital Improvement Program Project SD-06102. This is another example of the fact that construction costs are far outpacing the general rate of inflation. In order to make up the project funding deficit, staff recommended that funds from other storm drain projects be diverted to the storm water pump station project and a loan from the General Fund Budget Stabilization Reserve be made. The City Council subsequently approved a budget amendment that transferred \$1,234,577 of previously budgeted funds from the following storm drain capital improvement projects to the San Francisquito Creek Storm Water Pump Station Project:

**Storm Drainage Fund Capital Improvement Program Project SD-06104           \$ 914,000**  
**(Connect Clara Drive Storm Drains to Matadero Pump Station)**

**Storm Drainage Fund Capital Improvement Program Project SD-06103           \$ 105,000**  
**(Extend Gailen/Bibbits Storm Drain Outfall to Adobe Pump Station)**

**Storm Drainage Fund Capital Improvement Program Project SD-88070           \$ 215,577**  
**(Storm Drain CIP Administration)**

As a result of the recommended transfer of funds, Project SD-06104 will be deferred indefinitely. Project SD-06103 has been completed, and the remaining funds are no longer required. Project SD-88070 represents the remainder of capital funds that existed within the Storm Drainage Fund from the period prior to the approval of the Storm Drainage Fee increase in 2005 and were not earmarked for any specific purpose.

The City Council also approved a loan to the Storm Drainage Fund in the amount of \$1,700,000 from the General Fund Budget Stabilization Reserve (BSR). A portion of the loan (\$600,000) was returned upon the execution of a contract change order for project cost-saving measures negotiated with the contractor. The remainder of the loan will be paid back over a period of three years at an interest rate commensurate with the Reserve's annual rate of return on investment (estimated to be approximately 5.5%). The loan payback schedule is attached to this memo. The Storm Drainage Fund has adequate annual revenue to cover the repayment of the

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loan, although the additional debt service will reduce the amount of other storm drain capital improvements that could otherwise be funded between FY 2008-09 and FY 2010-11.

The revised budget figures for FY 2007-08 taking into account the award of the pump station contract, the budget amendment, and the General Fund loan are presented in the attached spreadsheet for the Committee's review.

As a result of the budget changes made to accommodate the construction of the pump station, the \$600,000 in funding for the Channing/Lincoln Storm Drain Improvements originally proposed for the FY 2008-09 budget has been deferred to FY 2009-10. Information on the FY 2008-09 Storm Drainage Fund budget (including the 2008-13 Capital Improvement Program) will be presented to the Storm Drain Oversight Committee for review in April.

**Attachments:**

Bid summary for the San Francisquito Creek Storm Water Pump Station

Proposed General Fund loan payback schedule

Revised proposal for use of Storm Drainage Fee increase for 2007-08

**SAN FRANCISQUITO CREEK STORM WATER PUMP STATION**

(Schaaf & Wheeler - Engineer's Opinion)

Base Bid		Engineer's Opinion		Proven Management, Inc		JMB Construction, Inc.		Anderson Pacific, Inc.			
Item	Description	Bid Quantity	Unit	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total
1	Mobilization / Demobilization	1	LS	\$ 284,650.00	\$ 284,650.00	\$ 200,000.00	\$ 200,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
2	Site Preperation, clearing and grubbing	1	LS	\$ -	\$ -	\$ 50,000.00	\$ 50,000.00	\$ 25,000.00	\$ 25,000.00	\$ 50,000.00	\$ 50,000.00
3	Sheeting, shoring and bracing	1	LS	\$ 380,200.00	\$ 380,200.00	\$ 100,000.00	\$ 100,000.00	\$ 450,000.00	\$ 450,000.00	\$ 650,000.00	\$ 650,000.00
4	Pollution Prevention and Erosion Control	1	LS	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ 14,000.00	\$ 14,000.00	\$ 55,000.00	\$ 55,000.00
5	Traffic Control	1	LS	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 30,000.00	\$ 30,000.00
6	8' x 8' RCB Storm Drain	255	LF	\$ 1,280.00	\$ 326,400.00	\$ 2,000.00	\$ 510,000.00	\$ 1,200.00	\$ 306,000.00	\$ 1,800.00	\$ 459,000.00
7	8' x 8' RCB by 96" diameter RCP Storm Drain Junction Box	1	LS	\$ 40,000.00	\$ 40,000.00	\$ 5,000.00	\$ 5,000.00	\$ 90,000.00	\$ 90,000.00	\$ 175,000.00	\$ 175,000.00
8	Manway on 8' x 8' RCB	1	LS	\$ 8,000.00	\$ 8,000.00	\$ 5,000.00	\$ 5,000.00	\$ 2,000.00	\$ 2,000.00	\$ 9,000.00	\$ 9,000.00
9	Pump Station Structures	1	LS	\$ 1,500,250.00	\$ 1,500,250.00	\$ 3,608,115.00	\$ 3,608,115.00	\$ 2,875,000.00	\$ 2,875,000.00	\$ 2,700,000.00	\$ 2,700,000.00
10	Submersible Axial Flow Pumps	4	EA	\$ 185,000.00	\$ 740,000.00	\$ 120,000.00	\$ 480,000.00	\$ 180,000.00	\$ 720,000.00	\$ 160,000.00	\$ 640,000.00
11	Low Flow Submersible Pump, Discharge Piping and Fittings	1	LS	\$ 45,000.00	\$ 45,000.00	\$ 10,000.00	\$ 10,000.00	\$ 55,000.00	\$ 55,000.00	\$ 50,000.00	\$ 50,000.00
12	Slide Gates and Flap Gates	1	LS	\$ 50,000.00	\$ 50,000.00	\$ 40,000.00	\$ 40,000.00	\$ 38,000.00	\$ 38,000.00	\$ 40,000.00	\$ 40,000.00
13	Main Switchboard and Motor Control Center	1	LS	\$ 575,000.00	\$ 575,000.00	\$ 650,000.00	\$ 650,000.00	\$ 600,000.00	\$ 600,000.00	\$ 625,000.00	\$ 625,000.00
14	1 MW Standby Engine-Generator and Appurtenances	1	LS	\$ 380,000.00	\$ 380,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00
15	Miscellaneous Electrical Work	1	LS	\$ 636,000.00	\$ 636,000.00	\$ 600,000.00	\$ 600,000.00	\$ 715,000.00	\$ 715,000.00	\$ 600,000.00	\$ 600,000.00
16	Discharge Channel Excavation	1	LS	\$ 122,500.00	\$ 122,500.00	\$ 100,000.00	\$ 100,000.00	\$ 160,000.00	\$ 160,000.00	\$ 170,000.00	\$ 170,000.00
17	Landscaping	1	LS	\$ 150,000.00	\$ 150,000.00	\$ 70,000.00	\$ 70,000.00	\$ 80,000.00	\$ 80,000.00	\$ 65,000.00	\$ 65,000.00
18	Mitigation Planting	1	LS	\$ 100,000.00	\$ 100,000.00	\$ 40,000.00	\$ 40,000.00	\$ 45,000.00	\$ 45,000.00	\$ 100,000.00	\$ 100,000.00
19	Paving and Site Restoration	1	LS	\$ 167,000.00	\$ 167,000.00	\$ 50,000.00	\$ 50,000.00	\$ 85,000.00	\$ 85,000.00	\$ 180,000.00	\$ 180,000.00
				<b>Base Bid Total:</b>	<b>\$ 5,505,000.00</b>	<b>Base Bid Total:</b>	<b>\$ 6,938,115.00</b>	<b>Base Bid Total:</b>	<b>\$ 6,970,000.00</b>	<b>Base Bid Total:</b>	<b>\$ 7,298,000.00</b>

**Add Alternate Bid Item:**

20	Demolition of Buildings, truck scale and related appurtenances	1	LS	\$ -	\$ -	\$ 8,000.00	\$ 8,000.00	\$ 10,000.00	\$ 10,000.00	\$ 24,000.00	\$ 24,000.00
				Add Alt.	\$ -	Add Alt.	\$ 8,000.00	Add Alt.	\$ 10,000.00	Add Alt.	\$ 24,000.00

**INTER-FUND LOAN PROPOSAL**

<u>BUDGET YEAR</u>	<u>PAYMENT DATE</u>	<u>LOAN BALANCE</u>	<u>PAYMENT</u>	<u>REMAINDER</u>
FY 2007-08	7/1/2007	\$1,100,000	--	--
FY 2008-09	7/1/2008	\$1,160,500	\$0	\$1,160,500
FY 2009-10	7/1/2009	\$1,224,328	\$628,000	\$596,328
FY 2010-11	7/1/2010	\$629,126	\$629,126	\$0
TOTAL PAYMENTS =			\$1,257,126	
TOTAL INTEREST =			\$157,126	

ASSUMED INTEREST RATE = 5.5%

ORIGINAL LOAN REQMT.	\$1,700,000
CHANGE ORDER	<u>-\$600,000</u>
NET LOAN AMOUNT	<b>\$1,100,000</b>

<b>Revised Proposal for Use of Storm Drainage Fee Increase for FY 2007-08</b>				
<b>Line Item</b>	<b>Revenue</b>	<b>Expenditures</b>		
<b>Fee Increase Revenue</b>				
SD Fee Increase	\$3,087,504			
General Fund Advance of SD Fee Increase	\$702,399			
Budget Amendment	\$2,934,577			
<b>Capital Improvements and Program Enhancements</b>				
<b>A. One-time SD CIP Projects</b>				
San Francisquito Creek Pump Station		\$7,534,577		
Channing/Lincoln Storm Drain		\$0		
Southgate Neighborhood Storm Drains		\$0		
Gailen/Bibbits SD Improvements		\$0		
Clara Drive SD Improvements		\$0		
Matadero Creek Pump Station & Trunks		\$0		
Alma Street SD Improvements		\$0		
<b>B. Enhanced Maintenance</b>				
SD Replacement/Rehabilitation CIP		\$530,000		
Augmented SD Maintenance		\$90,000		
<b>C. Innovative SD Projects</b>				
		\$132,000		
<b>D. Augmented Storm Water Quality</b>				
		\$100,000		
<b>E. New CIP Engineer</b>				
		\$115,000		
<b>SUBTOTALS</b>	<b>\$6,724,480</b>	<b>\$8,501,577</b>		
From Storm Drainage Fund Reserves	\$1,980,255			
Other storm drain expenses previously covered by General Fund subsidy		\$203,158		
<b>TOTALS</b>	<b>\$8,704,735</b>	<b>\$8,704,735</b>		
Note: The Budget Amendment was funded as follows:				
Loan from General Fund Budget Stabilization Reserve		\$1,700,000		
Transfer from Gailen/Bibbits SD Improvements CIP		\$105,000		
Transfer from Clara Drive SD Improvements CIP		\$914,000		
Transfer from Storm Drain Admin CIP (pre-Fee increase \$)		\$215,577		
		<b>\$2,934,577</b>		