



CITY OF
**PALO
ALTO**

FINANCE COMMITTEE
Tuesday, November 15, 2022
Special Meeting
Community Meeting Room & Virtual
5:30 PM

Pursuant to [AB 361](#) Palo Alto City Council and Committee meetings will be held as “hybrid” meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda.

HOW TO PARTICIPATE

VIRTUAL PARTICIPATION

[CLICK HERE TO JOIN](https://cityofpaloalto.zoom.us/j/99227307235) (<https://cityofpaloalto.zoom.us/j/99227307235>)
Meeting ID: 992 2730 7235 Phone:1(669)900-6833

The meeting will be broadcast on Cable TV Channel 26, live on YouTube at <https://www.youtube.com/c/cityofpaloalto>, and streamed to Midpen Media Center at <https://midpenmedia.org>.

PUBLIC COMMENTS

Public Comments will be accepted both in person and via Zoom meeting. All requests to speak will be taken until 5 minutes after the staff’s presentation. Written public comments can be submitted in advance to city.council@cityofpaloalto.org and will be provided to the Committee and available for inspection on the City’s website. Please clearly indicate which agenda item you are referencing in your email subject line.

CALL TO ORDER

ORAL COMMUNICATIONS

Members of the public may speak to any item NOT on the agenda.

ACTION ITEMS

1. **Presentation** Approval of a Construction Contract With Anderson Pacific Engineering Construction (APEC) in the Total Amount of \$161,846,500; Approval of Three Amendments to Existing Agreements with: 1) Stanford University, 2) East Palo Alto Sanitary District, and 3) Mountain View and Los Altos; Approval of Amendment #2 to Contract Number C19171565 with Brown & Caldwell to Add Services, to Increase Compensation by \$1,484,689 for a New Maximum Compensation Not-

to-Exceed \$5,908,791, and to Extend the Contract Term through March 31, 2028; Approval of Amendment #2 to Contract Number C21176592C with Carollo Engineers to Add Construction Management Services, to Increase Compensation by \$8,237,021; approval of a resolution to increase Clean Water State Revolving Fund financing to \$193,000,000; approval of a budget appropriation increasing revenue and expenses; and approval of an exception to Debt Policy 1-65 for the Secondary Treatment Upgrades Project (WQ-19001) at the Regional Water Quality Control Plant.

2. Staff and the Utility Advisory Commission Recommend that the Finance Committee Recommend the City Council Adopt a Resolution Amending the E-HRA (Electric Hydro Rate Adjuster) Rate Schedule, Increasing the Current E-HRA Rate to \$0.026/kwWh Effective January 1, 2023 *This item is being continued to the November 29th, 2022 Finance Committee Meeting.*

FUTURE MEETINGS AND AGENDAS

ADJOURNMENT

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to hybrid meetings via email, in person, teleconference, or by phone.

1. **Written public comments** may be submitted by email to city.council@cityofpaloalto.org.
2. **In person public comments** please complete a speaker request card located on the table at the entrance to the Council Chambers, and deliver it to the City Clerk prior to discussion of the item.
3. **Spoken public comments using a computer or smart phone** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
 - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Or download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below
 - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
 - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
 - When called, please limit your remarks to the time limit allotted.
 - A timer will be shown on the computer to help keep track of your comments.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

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City of Palo Alto

Finance Committee Staff Report

(ID # 14918)

Meeting Date: 11/15/2022

Report Type: Action Items

Title: Approval of a Construction Contract With Anderson Pacific Engineering Construction (APEC) in the Total Amount of \$161,846,500; Approval of Three Amendments to Existing Agreements with: 1) Stanford University, 2) East Palo Alto Sanitary District, and 3) Mountain View and Los Altos; Approval of Amendment #2 to Contract Number C19171565 with Brown & Caldwell to Add Services, to Increase Compensation by \$1,484,689 for a New Maximum Compensation Not-to-Exceed \$5,908,791, and to Extend the Contract Term through March 31, 2028; Approval of Amendment #2 to Contract Number C21176592C with Carollo Engineers to Add Construction Management Services, to Increase Compensation by \$8,237,021; approval of a resolution to increase Clean Water State Revolving Fund financing to \$193,000,000; approval of a budget appropriation increasing revenue and expenses; and approval of an exception to Debt Policy 1-65 for the Secondary Treatment Upgrades Project (WQ-19001) at the Regional Water Quality Control Plant.

From: City Manager

Lead Department: Public Works

Recommendation

Staff recommends that the Finance Committee recommend City Council:

1. Approve and authorize the City Manager or their designee to execute the construction contract ([Contract](#)) with Anderson Pacific Engineering Construction, Inc. (APEC), in the amount of \$161,846,500 for the Secondary Treatment Upgrades (STU) project, funded in Wastewater Treatment Enterprise Fund Capital Improvement Program (CIP) project WQ-19001, at the Regional Water Quality Control Plant;
2. Authorize the City Manager or their designee to execute one or more change orders to the contract with APEC for related, additional but unforeseen work that may develop during the project, the total value of which shall not exceed \$16,184,650 or 10% of the contract amount, for a total not-to-exceed amount of \$178,031,150;
3. Approve Amendment No. 8 to the agreement between Palo Alto and Stanford

University (Attachment A); Addendum No. 1 to the Agreement between Palo Alto and the East Palo Alto Sanitary District (Attachment B); and Addendum No. 11 to the agreement among Palo Alto, Mountain View, and Los Altos (Attachment C);

4. Approve and authorize the City Manager or their designee to execute Amendment No. 2 to Contract No. C19171565 with Brown and Caldwell (BC) (Attachment D) to increase the contract amount by \$1,484,689 to provide design engineering services beyond the original scope of the contract for the design of the STU Project (CIP WQ-19001), and to extend the term through March 31, 2028. The revised total contract amount is not to exceed \$5,908,791 including \$5,371,628 for basic services and \$537,163 for additional services;
5. Approve and authorize the City Manager or their designee to execute Amendment No. 2 to Contract No. C21176592C with Carollo Engineers (Attachment E) to increase the contract amount by \$8,237,021 to provide construction management and inspection services during construction for the STU Project (CIP WQ-19001). The revised total contract amount is not to exceed \$8,841,268 including \$8,037,516 for basic services and \$803,752 for additional services;
6. Approve a resolution amending Resolution 9945 (Attachment F) to increase the reasonably expected maximum principal amount of funding to \$193,000,000 for design and construction of the Secondary Treatment Upgrades (CIP WQ-19001) and authorizing reimbursement of such funding from the Clean Water State Revolving Fund (SRF);
7. Approve an amendment to the FY 2023 Budget Appropriation for the Wastewater Treatment Fund (requires a 2/3 majority vote) by:
 - a. Increasing revenue from Other Agencies estimate from a State Revolving Fund Loan by \$44,200,400
 - b. Increasing the Secondary Treatment Upgrades capital project (WQ-19001) appropriation by \$44,200,400; and
8. Authorize an exception to City Policy and Procedures [Debt Policy 1-65](#) Guideline V.A.6 to allow the Wastewater Treatment Enterprise Fund to use a debt limit exceeding 15 percent of annual Wastewater Treatment Enterprise Fund operating expenses.

Executive Summary

Staff is seeking a recommendation to advance a key project to upgrade the secondary stage of the wastewater treatment system for the City's Regional Water Quality Control Plant. The Secondary Treatment Upgrades (STU) project will be financed by the state low-interest SRF loan program and be repaid by Palo Alto and its five partner agencies. The project was identified in the 2012 Long Range Facilities Plan ([LRFP](#)). Design began in 2018 and bids solicited in 2022, with three bids received on October 6, 2022. Council approval is recommended to award the

construction contract and ancillary support contracts and financing. Construction would start in early 2023, to be completed by about November 2027. Loan payments on the debt service will begin in 2028.

To initiate the construction phase of the project, Council will be approving:

- A construction contract with APEC;
- Amendments to design and construction management service contracts with Brown and Caldwell (BC) and Carollo Engineers, respectively;
- A Resolution to set maximum SRF loan financing at \$193 million;
- Three partner agreements with Stanford, East Palo Alto Sanitary District, and Mountain View and Los Altos for financing of the capital program;
- Budget amendments to increase SRF Loan revenue and increase the Secondary Treatment Upgrade capital project (WQ-19001); and
- An increase to the debt policy granting an exception to Debt Policy 1-65 Guideline V related to the debt level carried by the Wastewater Treatment Enterprise Fund.

Background

The Palo Alto Regional Water Quality Control Plant (Treatment Plant) provides wastewater treatment services for the cities of Palo Alto, Mountain View, and Los Altos; the Town of Los Altos Hills; Stanford University; and the East Palo Alto Sanitary District. The Treatment Plant is an advanced treatment facility that uses a multi-stage process to remove organic materials and other pollutants from approximately 16 million gallons per day of wastewater generated in the service area. The treated effluent is predominantly discharged to San Francisco Bay and meets the stringent discharge requirements of the California Regional Water Quality Control Board as well as the requirements for reuse in recycled water applications. Palo Alto owns and operates the Treatment Plant's wastewater treatment and disposal facilities and is responsible for managing capital improvements to the plant.

In 2012, Treatment Plant staff conducted a Long Range Facilities Plan ([LRFP](#)) to review existing and future (50-year time frame) capacity needs, plant condition and deficiencies, the impacts of potential regulatory changes, alternatives to the existing solids incineration and liquid treatment processes, site layouts for plant improvements and potential expansion, and preliminary cost estimates. The LRFP, which was the first comprehensive long-range plan since 1966, included recommendations to rehabilitate and replace existing facilities nearing the end of their useful life. The highest priority projects are being implemented over multiple years to effectively manage resources and costs. Construction of the sludge dewatering facility was completed in 2019, which was a key component of the LRFP. The primary sedimentation tank rehabilitation project is in construction and will be completed in 2023. Other facilities requiring capital improvement in the next 10 years for facilities at the end of their useful life include a new outfall pipe, new support facilities, relining of an aging joint intercepting sewer, and a new headworks facility.

The Treatment Plant was originally constructed in 1934 and has undergone several expansions

and upgrades. A key upgrade in 1972 included construction of a biological treatment process unit (i.e., secondary treatment). The process unit consists of four concrete aeration basins (each measuring 120 feet by 135 feet and 20 feet deep) that allow the growth of specific bacteria to breakdown and remove organic compounds in the wastewater. Ancillary facilities include an air blower room and pump stations. This equipment delivers oxygenated process air and recirculates sludge, as needed. Other equipment includes a standby power generator, electrical switchgear, and motor control centers to distribute electrical power to the process equipment. This equipment is between 28 to 50 years old and beyond its useful life. The current secondary treatment process is not able to remove nitrogen which is a new regulatory requirement to discharge treated effluent to San Francisco Bay to prevent toxic algae blooms.

Bid documents were prepared and bids solicited from construction contractors. A memorandum of understanding for proprietary equipment for the STU project was approved by Council on August 1, 2022 ([SR ID#11496](#)) and included in the bid documents.

On June 21, 2021, Council approved five separate five-and-a-half-year contracts (Contract C21179265, [SR ID# 12324](#)) with MNS Engineers, Inc.; CDM Smith; Carollo Engineers; MCK Americas, Inc.; and Tanner Pacific, Inc. These contracts provide for RWQCP On-Call Construction Management and Inspection Services; were initially set at a not-to-exceed total amount of \$1 per contract; and provide qualified consultants that can provide on-call services during construction of various capital projects recommended by the Long-Range Facilities Plan (LRFP). Services to be used are on a per-project basis, at the City's discretion. One contract with MNS Engineers was authorized by Council for a not-to-exceed amount of \$1.6 million.

Background: California Clean Water State Revolving Fund (SRF) Program

The State Water Resources Control Board Division of Financial Assistance administers the Clean Water State Revolving Fund (SRF) program. The SRF program provides low interest financing to agencies for wastewater projects. Under this program, eligible projects can apply for loans with interest rates that are approximately half of the State General Obligation rate, resulting in lower project costs and maximizing benefits to ratepayers and partner agencies. For the Secondary Treatment Upgrades project, Palo Alto executed a loan with the SRF program on May 9, 2022 with favorable terms including a 0.8% fixed interest rate, a 30-year term, project financing of approximately \$169 million, and debt payments that will start one year after project substantial completion. Palo Alto has previously obtained SRF loans for the:

- Palo Alto/Mountain View Recycled Water Pipeline project (\$9.0 million, 20-year term, Agreement 07-814-550, executed 10/12/07);
- Ultraviolet Disinfection Facility (\$8.5 million, 20-year term, Agreement 09-814-550, executed 10/27/09);
- Sludge Dewatering and Truck Loadout Facility (\$25.7 million, 30-year term, Agreement D16-01034, executed 6/7/17); and
- Primary Sedimentation Tanks Rehabilitation and Equipment Room Electrical Upgrade Project (\$19.4 million, 30-year term, Agreement D20-01009, executed 7/12/21).

Council previously approved Resolution 9945 ([SR ID#11834](#)), authorizing the reimbursement of the funding for this project by the SRF program. At that time, project financing was set at \$169 million. Having received three actual bids for construction work, staff now requests Council to approve a revised resolution to authorize reimbursement of \$193 million for a new financing amount. Staff is currently in negotiations with state SRF program staff for the increased loan amount. SRF program staff have indicated that they can fund the increased amount for the loan at the same interest rate, however, a revised resolution of authorization approved by Council for reimbursement is required for the increased funding amount.

The total SRF loan application includes the costs for planning, design, construction, construction contingency, capital program administration, and construction management. The partner agreements being approved by Council with Mountain View, Los Altos, EPASD, and Stanford University will all require modification for the increased funding amount required; the partner agencies documents should be amended by early 2023. As stated previously, the partner documents authorize up to \$169 million. Because the bids came in higher than the Engineer's estimate, the partner agreements will be amended to ensure repayment of the increased SRF loan financing.

Background: Brown and Caldwell Design Amendment No. 2

On October 1, 2018, Council approved a professional services contract ([SR ID#9485](#)) for design services with BC for the STU Project at the Palo Alto Regional Water Quality Control Plant (RWQCP). The original contract amount was \$2,923,357 including \$2,657,597 for basic services and \$265,760 for additional services.

After the initial contract award, BC performed field survey work, equipment condition assessments, process design modeling, preliminary design calculations, equipment sizing, and prepared plans. It was through this process that the Membrane Aerated Biofilm Reactor technology was found to be a superior process component for the long-term operation of the RWQCP, although the shorter-term design and construction costs are higher than for the process originally envisioned. This design approach constituted a scope change in the design work. On December 7, 2020, Council approved Amendment No. 1 ([SR ID#11155](#)) to this contract to increase the contract amount by \$1,500,745 to allow BC to provide additional services required to meet the City's latest design standards (including Palo Alto's Sea Level Rise Adaptation Policy ([SR ID#9576](#)) approved by Council March 18, 2019), and integrate the new design into the existing process through a complicated construction and operation phasing effort. The amendment included an increased contract amount and additional time to perform the work.

As the design proceeded, it became evident that construction sequencing was becoming more complicated and required a longer construction duration as a result of attempting to build the project, while also operating the RWQCP to meet permitted discharge limitations.

Discussion

The secondary treatment process must be upgraded to a process that removes harmful nitrogen by creating both oxygen-deficient and oxygen-rich zones in modified aeration tanks. The project will improve final water quality, ensure the Plant continues to meet effluent discharge permit limits, and allow for ultimate decommissioning of the aging biotrickling filters and other aging equipment. The project will rehabilitate four concrete aeration basins as well as the blower room and sludge pumping stations. Equipment will be replaced including, piping and ancillary systems, extending the useful life of mechanical and electrical equipment components by at least another 30 years, while the concrete and steel structure life cycle will be extended by at least another 50 years. The scope of work includes the following for all four basins: replacement of the air bubble diffusers and the piping manifolds in the basins; replacement and automation of influent and effluent flow diversion gates; concrete work to install new flow channels for flow distribution; replacement of air blowers and sludge pumps; installation of two pump stations, a standby generator and an electrical power load center; and replacement of aging motor control centers (i.e., electrical power distribution equipment).

Discussion: Construction Contract Bid Process

On July 21, 2022, the City solicited formal bids from qualified contractors for the STU Project. The bidding period was 78 calendar days. Three (3) bids were received on October 6, 2022, with bid prices ranging from \$161,846,500 to \$167,518,500 as noted in the Bid Summary Attachment G). Bid process details are summarized in Table 1 below. The lowest bid was \$161,846,500.

Table 1: Summary of Bid Process

Bid Name/Number	STU Project (IFB-185822)
Proposed Length of Project	58 months after Notice to Proceed
Number of Bid Packages downloaded by Contractors and Subcontractors	41
Number of Bid Packages downloaded by Builder's Exchanges	14
Number of Bid Packages downloaded by Suppliers and Others	39
Total Days to Respond to Bid	78
Pre-Bid Meeting (In Person)	Yes
Number of Companies Attended Pre-Bid Meeting	17
Number of Bids Received:	3
Base Bid Price Range	\$161,846,500 to \$167,518,500

Staff has reviewed all bids submitted and recommends the bid of \$161,846,500 submitted by APEC be accepted and that APEC be declared the lowest responsible bidder. The base bid is 36% above the Engineer's estimate of \$118,707,335. Supply chain issues, high inflation including high oil prices, local market volatility, duration of the contract, and geopolitical events such as the war in Ukraine, uncertainty about the situation with China/Taiwan are factors attributed to the bids being much higher than the Engineer's estimate. However, the "bid

spread” on the three bids received are within 3.5% of each other, indicating a common understanding of the project scope and cost. Staff is not recommending a rebid because of the tight bid spread and the likely risk of higher construction costs due to more inflation-induced expenses in a rebid situation, including the already negotiated pricing for the Membrane Aerated Biofilm Reactor equipment with Suez. Furthermore, higher bids in 2022 have been experienced at neighboring wastewater treatment plants (e.g., City of Sunnyvale’s Secondary Treatment Upgrade project engineer’s estimate of \$150 to \$250 million and low bid of \$278 million; Union Sanitary District’s Aeration Basin Modifications project engineer’s estimate of \$64 million and low bid of \$121 million). The recent neighboring agency examples further reveal the context of a higher bid environment for construction work, lending additional support for the recommendation to award to APEC now, which will leverage the favorable terms of the SRF program loan and move the City forward in a timely manner on needed wastewater treatment capital investment.

A contingency amount of \$16,184,650 (10% of the bid price) is requested for related, additional but unforeseen work that may develop during the project. Staff confirmed with the Contractor’s State License Board that the contractor has an active license on file.

Discussion: Partner Agencies’ Agreements

Partner agreements were modified, and each agency will be approving the attached agreements by their Board, Council, or authorized representative on the following dates: Stanford (pending), Mountain View (11/15/22), Los Altos (11/29/22), and East Palo Alto Sanitary District (11/3/22). Note that Los Altos Hills has the smallest contribution to the Plant and has a different agreement that does not require them to approve capital improvement projects. It is recommended that Council approve the following:

- Amendment No. 8 to the Agreement between Palo Alto and Stanford University (Attachment A);
- Addendum No. 1 to the Second Amended and Restated Agreement between Palo Alto and the East Palo Sanitary District (Attachment B); and
- Addendum No. 11 to the Agreement between Palo Alto, Mountain View, and Los Altos (Attachment C).

In October 2016, Council approved contract amendments ([SR ID #7144](#)) with partner agencies for the planning and design of the STU Project. To fund the SRF loan, the partner agencies approved up to \$169 million in funding. The partners also approved up to \$12 million in funding for the Outfall Pipeline project. Staff will return to Council for approval of construction and loan financing for the Outfall Pipeline project with details in a separate staff report. Approval of these partner agreements does not commit the City to the Outfall Pipeline project.

In May 2021, Council approved contract amendments ([SR ID #11735](#)) with partner agencies for the construction of the Primary Sedimentation Tank Rehabilitation Project Council for a total SRF loan of \$19.4 million. In these new partner agreements, the partners agreed to increase the

project's maximum financing from \$17.0 million to \$19.4 million to reflect increases in project costs, including design engineering, construction management, construction contingency, program management, and construction costs.

Discussion: Brown & Caldwell Design Contract Amendment No. 2

The 100% design construction schedule is now projecting a construction duration of approximately five years, with each of the four aeration basins requiring one year to be converted from the existing to the modified process upgrades. Construction is anticipated to begin in early 2023 and continue to November 2027. Under the original design contract, it was anticipated that construction was expected to commence in early 2020 with the upgraded facility fully operational by spring 2022.

It is recommended that Council approve Amendment No. 2 to add funds in the amount of \$1,484,689 to the project to address the delayed construction start date, additional construction duration, and for:

1. Additional design services:
 - a. Further development of an indicative construction schedule.
 - b. Further development of construction sequencing and constraints specifications.
 - c. Preliminary design of temporary facilities and systems required during construction, including development of preliminary design drawings.
 - d. As-needed additional engineering services for unforeseen site conditions and coordination with other ongoing major capital projects at the RWQCP
 - e. Updated opinion of probable construction cost and projection of cash flow during construction for budgeting purposes.
 - f. Participation in a constructability review to be conducted by the City's selected construction manager.
 - g. Additional meetings and workshops.
2. Additional bid period services associated with the items listed above and the expanded scope and complexity of the Project.
3. Additional engineering services during construction associated with a larger volume of construction documents and resubmittals of the items listed above and the expanded scope and complexity of the Project.
4. Additional commissioning and startup services to account for staged commissioning and startup of the Project.
5. Additional project management services associated with the expanded scope and duration of the Project.
6. Updated costs, accounting for increases in hourly billing rates, for providing engineering services during construction.

The original BC design contract amount was \$2,923,357. Amendment No. 1 to the contract increased the contract amount by \$1,500,746. Amendment No. 2 adds \$1,484,689 to the contract. The revised total contract amount is a not-to-exceed \$5,908,791 including \$5,371,628

for basic services and \$537,163 for additional services.

Discussion: Carollo Engineers Construction Management Contract Amendment No. 2

On June 8, 2022, staff provided each of the five construction management consultants a scope of services with a list of tasks needed for the upcoming construction project (i.e., Work Order #3). Four proposals were received from Carollo Engineers, MNS Engineers, MCK Americas, and Tanner Pacific with prices ranging from \$7,488,200 to 14,482,634.

Table 2: Summary of Construction Management Work Order Proposals

Request for Work Order Proposal Issued	June 8, 2022
Deadline for Questions, Clarifications	July 11, 2022
Proposals Due	July 20, 2022
Proposals Received	4
Finalist Identified	1
Proposals Price Range	\$7,488,200 to 14,482,634

An evaluation committee consisting of Public Works Department staff was formed to review the four proposals. The committee carefully reviewed each firm's qualifications and submittal in response to the criteria identified in the Request for Work Order Proposal, including quality and completeness of the proposal, quality and effectiveness of services, experience with projects of similar scope and complexity, prior record of performance, cost, proposer's financial stability, and ability to provide future maintenance and/or services.

Council scheduled approval of construction and construction management services for a separate project on November 14, 2022 (SR-14602), entitled the 12kV Electrical Power Distribution Loop Rehabilitation Bid Package 1 Project (WQ-19002) at the Regional Water Quality Control Plant. That construction contract, also with APEC, will also be managed and inspected by Carollo Engineers under Amendment #1 to Contract Number C21176592C to add services, to increase compensation by \$604,246 for a new maximum compensation not-to-exceed \$604,247 for the Wastewater Treatment Enterprise Fund for the 12kV Electrical Power Distribution Loop Rehabilitation Bid Package 1 Project (WQ-19002) at the Regional Water Quality Control Plant.

Staff recommends amending the contract with Carollo, who provided a more comprehensive approach to the services, demonstrated a clear understanding of needs, had the lowest cost, and proposed innovative solutions to the challenges of the complex capital program. Total costs are shown in Table 3 below.

Table 3: Carollo Engineers, C21176592C, Authorized Funding

Staff Report	Basic Services	Additional Services	Not-to-Exceed Total
SR ID# 12324 , initial contract, 6/21/22	\$1	--	\$1

SR ID# 14602, Amendment #1, 11/14/22, 12kV Electrical Power Distribution Loop Rehabilitation Bid Package 1 Project (WQ-19002)	\$549,314	\$54,932	\$604,246
SR ID# 14918, Amendment #2, 11/15/22, Secondary Treatment Upgrades Project (WQ-19001)	\$7,488,201	\$748,820	\$8,237,021
Total:	\$8,037,516	\$803,752	\$8,841,268

Timeline

During construction, multiple channels and tanks must be bypassed, taken out of service, cleaned, upgraded, and returned to service. At least six major phases are anticipated. As a result, the complex phasing requires a 58-month construction duration. The BC design contract Amendment No. 2 will extend the consultant contract term from March 31, 2025 to March 31, 2028.

Secondary Treatment Upgrades

Design: Complete
 Construction start: January 2023
 Construction complete: November 2027: 58-month duration
 Design services complete: March 2028: 4-month post construction
 First STU project loan payment: November 2028: 1-year after substantial completion

Resource Impact

The SRF loan for the in-progress Primary Sedimentation Tanks Rehabilitation Project is being amended from the already approved \$17.0 million to a new financing amount of \$19.4 million, as detailed in partner agreements (Attachments A, B, and C). Loan repayments for the Primary Sedimentation Tanks Rehabilitation Project will begin in calendar year 2024, one year after project substantial completion.

The SRF loan for the Secondary Treatment Upgrades Project is approximately \$169 million; staff has revised that financing to \$193 million. Total project cost estimates were adjusted when new Engineer’s cost estimates and design stages were completed. The requested loan amount reflects securing the initial loan with an approximate total project estimate. The design and construction of this project, including associated construction management and administrative costs, will be financed through the SRF loan, which is disbursed to Palo Alto on a reimbursement basis. Pursuant to SRF policy, the first repayment occurs one year after project substantial completion, which is estimated to be in calendar year 2028. The annual SRF loan repayment, which includes principal and interest, is based on an amortized period of 30 years. The estimated annual repayments paid by each contributing partner agency are summarized in Tables 4 and 5 below.

Table 4: CWSRF Loan Repayment Partner Agency Estimates

Primary Sedimentation Tank (PST) Rehabilitation Project

Contributing Partner Agency	Percent Share	Annual Repayment ¹
Palo Alto	38.16%	\$282,682
Mountain View	37.89%	\$280,681
Los Altos	9.47%	\$70,152
East Palo Alto Sanitary District	7.64%	\$56,595
Stanford University	5.26%	\$38,965
Los Altos Hills	1.58%	\$11,704
Total:	100.00%	\$740,779

Note: 1. Based on CWSRF loan amount of \$19,400,000 at 0.9% locked interest rate for 30-year term

**Table 5: CWSRF Loan Repayment Partner Agency Estimates
Secondary Treatment Upgrades (STU) Project**

Contributing Partner Agency	Percent Share	Annual Repayment ¹
City of Palo Alto	38.16%	\$2,767,754
City of Mountain View	37.89%	\$2,748,171
City of Los Altos	9.47%	\$686,861
East Palo Alto Sanitary District	7.64%	\$554,131
Stanford University	5.26%	\$381,509
Town of Los Altos Hills	1.58%	\$114,598
Total:	100.00%	\$7,253,025

Note: 1. Based on CWSRF loan amount of \$192,767,840 at 0.8% locked interest rate for 30-year term

This is a multi-year contract over the course of design and through the completion of construction. The funding for this amended contract will be allocated from the Wastewater Treatment Enterprise Fund Capital Improvement Program Project (WQ-19001). As approved in the FY 2023 Adopted Budget, WQ-19001 has total funding of \$149.2 million, with State Revolving Fund (SRF) loan revenue of \$148.8 million budgeted to offset the costs for this project, and the remaining \$0.4 million covered by the Wastewater Treatment Fund. Staff previously secured a SRF loan (at 0.8% interest rate) as the source of funding for the design contract, and future construction and construction management contracts in the amount of \$169.0 million, and recommends increasing this amount to \$193.0 million as part of this memorandum. Increasing the SRF Revenue by \$44.2 million will allow staff to increase the WQ-19001 capital project by \$44.2 million to align with the project scope.

Palo Alto RWQCP treats the combined wastewater from Palo Alto, Los Altos, Los Altos Hills, Mountain View, Stanford University, and the East Palo Alto Sanitary District. Palo Alto's share of this project is 38.16% and the other five agencies' share is 61.84%, based on the fixed capacity established in partners' agreements. As the lead agency, the City of Palo Alto will appropriate the funding for this Project in the Fiscal Year 2023 Wastewater Treatment Enterprise Fund

Capital Improvement Program Budget for the Secondary Treatment Upgrade Project (WQ-19001). The design and construction of this project, including associated construction management and administrative costs, is being financed through the CWSRF loan, which is disbursed on a reimbursement basis.

Cashflow Impacts from State SRF Loan Reimbursement Process

The City's Wastewater Treatment Fund cash balance was \$12.7 million on June 30, 2022. Staff is working to improve estimation methods for the cash balance. Potential negative cash balances could occur in the future (depending on spending patterns). The cash balance is used to handle cash flows that cover differing timing of revenues and expenses. The RWQCP's large capital program will be using several SRF loans in the coming years, including the large SRF loan for the STU Project. Contractor expenses are expected to be many millions of dollars each month with standard payment terms within 30 days. The state reimburses the City for these payments to contractors, however on a much longer timeframe (e.g., four to six months based on past experience). On past projects funded by SRF, this reimbursement cycle never caused a Wastewater Treatment Fund drawdown to a negative balance, because those past projects had much lower monthly contractor bills. For the STU, a much larger project, the mismatch in timing of reimbursement from the state is expected to cause a much greater drawdown of the Wastewater Treatment Fund cash balance, potentially causing a negative fund balance over the life of the STU project. Exact timing of the negative cash balance depends on contractors' spending patterns over the 58-month construction duration. In discussions with the State, they have indicated that they cannot improve on the turnaround time for reviewing disbursement requests.

Potential solutions are being investigated by Administrative Services Department staff including short term loans from the private financial market, or loans from other City Enterprise Funds which would help cover the short-term timing issue for cashflow. Staff is planning to return to the Finance Committee in early 2023 with additional information about this issue, which is created by use of the SRF loan as the favorable debt financing instrument for the RWQCP capital program. A loan from the General Fund Budget Stabilization Reserve is also being studied.

Policy Implications

This recommendation does not represent any change to existing City policies, except as noted below for the Debt Policy, and supports the Comprehensive Plan Policy N.4-16.

The City's [Debt Policy 1-65](#), adopted April 11, 2017 ([SR ID#7892](#)), includes guidelines for use of debt and other financing. In Section V, Guidelines for Use of Debt and Other Financing, annual debt service is not to exceed 15 percent of annual operating expenses unless an exception is approved by Council. Current debt service is approximately 7.4% of annual operating expenditures. Future debt service is expected to exceed 15% in November 2028 and be 30% when the first debt payment on the STU project is due. Council is requested to authorize an exception to the debt policy for the Wastewater Treatment Enterprise Fund. Use of pay-as-you-

go financing for large, complex wastewater treatment projects is impractical and would put an inequitable and untimely burden on ratepayers that may not ever benefit from the new capital equipment. Use of debt financing to spread the costs across ratepayers for 30 years of beneficial use is common for wastewater capital equipment in Palo Alto and in neighboring agencies. An increase in the pay-as-you-go financing capital program (i.e., about \$3.4 million currently) would not be able to support the large capital projects such as the STU project, which is triggering the need for an exception.

Stakeholder Engagement

This project is part of the RWQCP's major capital improvement program funded by Palo Alto and the five partner agencies who use the RWQCP for wastewater treatment. The five partner agencies are regularly updated on both the need for and the progress of wastewater treatment capital work. Updates are provided each year at an annual meeting and at other periodic meetings established to inform partner agency staff about the major capital improvement program. With respect to Palo Alto itself, the open meetings on the budget process serve as the main vehicle for engaging the community on both new projects such as this and associated rate impacts.

Environmental Review

The construction of the Secondary Treatment Upgrades Project is exempt under sections 15301, 15302, and 15303 of the California Environmental Quality Act (CEQA) Guidelines. The City of Palo Alto filed a Notice of Exemption for the Secondary Treatment Project Upgrades Project on April 2, 2021 (State Clearinghouse #2021040051).

Approval of Brown and Caldwell design amendment #2 and the three partners agreements are not subject to CEQA review under section 15378(b)(4) of the CEQA Guidelines in that it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Attachments:

- Attachment A_Amendement 8 to Contract C869 with Stanford
- Attachment B_Revised Addendum 1 to the 2nd Restatement Agreement with EPASD
- Attachment C_Revised Addendum 11 to Basic Agreement with Mountain View and Los Altos
- Attachment D - Amend 2 to Contract C19171565 with B&C
- Attachment E - C21179265C_Carollo_Amendment #2_For MT draft
- Attachment F - RESO 9945 (Amend for Revised Funding)
- Attachment G - Bid Summary

**AMENDMENT NO. EIGHT TO CONTRACT NO. C869
BETWEEN THE CITY OF PALO ALTO AND THE BOARD OF
TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY**

This Amendment No. Eight (8) to the Contract is made and entered into on _____, by and between the CITY OF PALO ALTO, a chartered city and a chartered municipal corporation of the State of California (“City”) and the BOARD OF TRUSTEES OF THE LELAND STANFORD JUNIOR UNIVERSITY, a body having corporate powers under the laws of the State of California (“Stanford”) (individually, a “Party”; collectively, the “Parties”).

RECITALS:

A. The Parties have entered into that certain Contract Between Palo Alto and Stanford, executed on November 30, 1956, as amended by the Addendum and Amendments described below (collectively, the “Contract”). The Contract has been amended seven times as follows: Addendum No. One (1) to the Contract Between the City of Palo Alto and Stanford, dated as of June 11, 1971; Amendment No. Two (2) to the Contract Between the City of Palo Alto and Stanford, dated as of November 2, 1998; Amendment No. Three (3) to the Contract Between the City of Palo Alto and Stanford, dated as of March 16, 2009; Amendment No. Four (4) to the Contract Between the City of Palo Alto and Stanford, dated as of October 17, 2016; Amendment No. 5 to the Contract Between the City of Palo Alto and Stanford, dated as of August 13, 2018; Amendment No. Six (6) to the Contract Between the City of Palo Alto and Stanford, dated March 4, 2019; and Amendment No. Seven (7) to the Contract Between the City of Palo Alto and Stanford, dated May 17, 2021.

B. Palo Alto owns and operates the sewage system (the “System”) pursuant to the Contract, and is responsible for making capital additions to the System. Under the Contract, prior to commencement of construction of any capital additions or enlargements of the System, City and Stanford shall agree upon the terms of payment by Stanford of its proportionate cost.

C. The Parties now desire to increase the maximum amount of financing authorized for the construction of the Primary Sedimentation Tank Project approved by Amendment No. Seven (7) to reflect increases in Project Costs as defined therein, including design engineering, construction management, program management, and construction costs.

D. The Parties further desire to agree to construct a capital addition to improve the Joint System by upgrading the secondary treatment process (biological process) to a process that removes harmful nitrogen by creating anoxic and aerated zones in existing aeration basins. This Secondary Treatment Upgrades or “STU” Project will improve final water quality, ensure the Plant continues to meet effluent discharge permit limits, and allow for ultimate decommissioning of the aging biotrickling filters and other aging equipment. The Primary Sedimentation Tank Project and the STU Project will become part of the Regional Water Quality Control Plant (the “Plant”), which is owned and operated by City as part of the System.

NOW, THEREFORE, in consideration of the terms, conditions and covenants set forth in this Amendment No. Eight (8), the Contract is hereby amended as follows:

Section 1. Paragraph 27 of the Contract is hereby added to read, as follows:

“27. MAXIMUM AMOUNT OF FINANCING FOR THE PRIMARY SEDIMENTATION TANK REHABILITATION PROJECT. The maximum amount of financing authorized for the Primary Sedimentation Tank Rehabilitation Project described in Paragraph 26 is increased from \$17.0 million to \$19.4 million.”

Section 2. Paragraph 28 of the Contract is hereby added to read, as follows:

“28. CONSTRUCTION AND IMPLEMENTATION OF THE SECONDARY TREATMENT UPGRADES PROJECT. The Parties hereby approve the construction of various improvements collectively referred to as the Secondary Treatment Upgrades or “STU” Project. The STU Project includes: new air blowers; air diffusers in aerobic zones; anoxic zone pulsed air equipment; membrane aerated biofilm reactor cassettes; slide and sluice gates and valves to isolate and throttle flows; instruments such as flowmeters and oxygen probes; power distribution equipment including standby diesel generator and power transfer equipment; and return activated sludge piping and pumping. Each Party shall pay its share of the STU Project Costs, in proportion to the capacity it owns in the Joint System or portion thereof as shown in Exhibit “H” to Amendment No. Two (2) to the Contract. “Project Costs”, as used in this Section 28, means all costs incurred in connection with the construction and implementation of the STU Project. Without limiting the generality of the foregoing, Project Costs shall include, but not be limited to: engineering and other consultants’ fees and costs, including fees incurred pursuant to agreements with engineers, contractors and other consulting, design and construction professionals; deposits, applicable permit fees; all costs to apply for and secure necessary permits from all required regional, state, and federal agencies; plan check fees, and inspection fees; construction costs; initial maintenance; attorneys’ fees and costs; insurance; interest from the date of payment on any contracts.

The Parties authorize City to receive State Revolving Fund (“SRF”) loans from the State Water Resources Control Board (“SWRCB”) or pursue other project financing (i.e., utility revenue bonds) to fund the costs of the Project. The maximum amount of financing for the project is one hundred ninety-three million dollars and no cents (\$193,000,000).

The SRF loans will have a thirty-year repayment term. The SRF loan shall be repaid by the Parties in the same proportionate shares as shown on Exhibit “H” to Amendment No. Two (2) to the Contract.

If the SWRCB terminates its loan commitment unexpectedly following execution of the construction contract(s) for the Project or the Projects, the City shall notify Stanford promptly. Following notification of the termination of the SRF loan commitment, the

Parties shall meet in a timely manner to discuss alternative funding sources and strategies for completion of the Projects. If the Parties are unable to agree on new funding sources in a timely manner, then the City shall have the right to terminate the Project or Projects immediately.

The Parties shall remain responsible for Project Costs and loans incurred, whether before or after termination of the Project/Projects, including costs incurred in connection with the termination of the Project planning/design/construction contract(s), in the same proportion to each organization’s share, as shown on Exhibit “H” to Amendment No. Two (2) to the Contract.

Stanford shall pay its share of any Project Costs within thirty (30) business days of receipt of the annual billing statement sent by the City. If Stanford disputes the correctness of an invoice, it shall pay the invoice in full and the dispute shall be resolved after payment in accordance with the Contract, and shall not offset against any payment due.

Section 3. Except as modified herein, the Contract shall remain unchanged, and is hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment as of the date first written above.

ATTEST:

CITY OF PALO ALTO

City Clerk

By: _____
Mayor

APPROVED AS TO FORM:

City Attorney or Designee

APPROVED AS TO CONTENT:

City Manager or Designee

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

By: _____

Name: _____

Title: _____

ADDENDUM NO. ONE TO THE SECOND RESTATED AND AMENDED AGREEMENT BETWEEN THE CITY OF PALO ALTO AND THE EAST PALO SANITARY DISTRICT FOR WASTEWATER TREATMENT AND DISTRICT OUTFALL

This Addendum No. One to the Second Restated and Amended Agreement Between the City of Palo Alto and the East Palo Sanitary District for Wastewater Treatment and District Outfall is made and entered into on [DATE], by and among the CITY OF PALO ALTO (“Palo Alto”), a municipal corporation under the laws of the State of California, and the East Palo Alto Sanitary District (“District”), a special district formed under the Sanitary District Act of 1923, individually, a “Party”, collectively, the “Parties”.

RECITALS

- A. On May 17, 2021, the Parties entered into an agreement entitled the Second Restated and Amended Agreement Between the City of Palo Alto and the East Palo Sanitary District for Wastewater Treatment and District Outfall.
- B. That agreement establishes the Parties’ respective rights and obligations regarding treatment of wastewater conveyed from the District’s sanitary sewer system at the City’s Regional Water Quality Control Plant, payment of treatment costs, debt service for major capital improvement projects, the District’s sanitary sewer outfall line, and pretreatment requirements.
- C. The agreement establishes the Parties’ approval of funding and cost sharing for the planning/design phases of Primary Sedimentation Tank and Secondary Treatment Upgrades projects.
- D. The Parties now wish to amend the agreement to approve their respective funding and cost-sharing obligations for the construction phase of those projects.

NOW, THEREFORE, in consideration of the terms, conditions and covenants set forth in this Addendum No. One, the Second Restated and Amended Agreement Between the City of Palo Alto and the East Palo Sanitary District For Wastewater Treatment and District Outfall is hereby amended, as follows:

Section 1. The title of the agreement is amended as follows: (additions in underline text)

Second Restated and Amended Agreement Between the City of Palo Alto and the East Palo Alto Sanitary District For Wastewater Treatment and District Outfall

Section 2. Section 6, paragraph a, subparagraph ii is amended to add new subsection A as follows: (additions in underline text)

6. DESIGN OF PRIMARY SEDIMENTATION TANK REHABILITATION, SECONDARY TREATMENT UPGRADE, LABORATORY SERVICES BUILDING; DESIGN AND CONSTRUCTION OF SLUDGE DEWATERING AND TRUCK LOADOUT FACILITY; AND CONSTRUCTION OF OUTFALL AND PRIMARY SEDIMENTATION TANK REHABILITATION.

a. Implementation of the “Projects”

i. City and District hereby approve the planning and design of the Primary Sedimentation Tanks, Secondary Treatment Upgrades, Laboratory/Environmental Services Building, and design and construction of a Sludge Dewatering and Truck Loadout Facility. Each Party shall pay its share of Project Costs for the Projects in proportion as it owns capacity in the Treatment Plant or portion thereof, as shown in Exhibit “H.” For purposes of this subparagraph, “Project Costs” means all costs incurred in connection with the planning, design, construction and implementation of the Projects. Without limiting the generality of the foregoing, Project Costs shall include, but not be limited to: design, engineering, and other consultants’ fees and costs, including fees incurred pursuant to agreements with engineers, contractors and other consulting, design and construction professionals; environmental analysis and approval costs, including cost of compliance with the California Environmental Quality Act; deposits, applicable permit fees; all costs to apply for and secure necessary permits from all required regional, state, and federal agencies, plan check fees, and inspection fees; construction costs; initial maintenance; attorneys’ fees and costs; insurance; interest from the date of payment on any contracts.

ii. City and District hereby approve the construction of a new outfall and related improvements to existing discharge infrastructure (the “Outfall Project”) and the rehabilitation of the primary sedimentation tanks including electrical upgrades (the “Primary Sedimentation Tank Rehabilitation Project”). Each Party shall pay its share of Project Costs for the Projects in proportion as it owns capacity in the Treatment Plant or portion thereof, as shown in Exhibit “H.” For purposes of this subparagraph, “Project Costs” means all costs incurred in connection with the construction and implementation of these two projects. Without limiting the generality of the foregoing, Project Costs shall include, but not be limited to: engineering and other consultants’ fees and costs, including fees incurred pursuant to agreements with engineers, contractors and other consulting, design and construction professionals; deposits, applicable permit fees; all costs to apply for and secure necessary permits from all required regional, state, and federal agencies; plan check fees, and inspection fees; construction costs; initial maintenance; attorneys’ fees and costs; insurance; interest from the date of payment on any contracts.

A. City and District hereby approve the construction of various improvements collectively referred to as the Secondary Treatment Upgrades or “STU” Project. The STU Project includes: new air blowers; air diffusers in aerobic zones; anoxic zone pulsed air equipment; membrane aerated biofilm reactor cassettes; slide and sluice gates and valves to isolate and throttle flows; instruments such as flowmeters and oxygen probes; power distribution equipment including standby diesel generator and power transfer equipment; and return activated sludge piping and pumping. Each Party shall pay its share of Project Costs for the Projects in proportion as it owns capacity in the Treatment Plant or portion thereof, as shown in Exhibit “H.” For purposes of this subparagraph, “Project Costs” means all costs incurred in connection with the construction and implementation of these two projects. Without limiting the generality of the foregoing, Project Costs shall include, but not be limited to: engineering and other consultants’ fees and costs, including fees incurred pursuant to agreements with engineers, contractors and other consulting, design and construction professionals; deposits, applicable permit fees; all costs to apply

for and secure necessary permits from all required regional, state, and federal agencies; plan check fees, and inspection fees; construction costs; initial maintenance; attorneys' fees and costs; insurance; interest from the date of payment on any contracts.

iii. The projects described in subparagraphs (i) and (ii) immediately above are referred to individually as a "Project" and collectively as the "Projects".

Section 2. Section 6, Paragraph b is amended to read as follows: (deletions in ~~striketrough~~ text; additions in underline text)

b. Financing for the Projects. The District authorizes the City to pursue and receive State Revolving Fund ("SRF") loans from the State Water Resources Control Board ("SWRCB") or pursue other project financing (i.e. utility revenue bonds) to fund the costs of the Projects. The maximum amount of the financing sought for each Project is:

- Planning/design of the primary sedimentation tanks, secondary treatment upgrades, and a new Laboratory/Environmental Services Building - \$6.75 million
- Design and construction of a sludge dewatering and truck load-out facility - \$28 million
- Construction of Outfall Project - \$12 million
- Construction of Primary Sedimentation Tank Rehabilitation - \$17 19.4 million
- Construction of Secondary Treatment Upgrades - \$193 million

Section 3. Except as modified herein, the Basic Agreement shall remain unchanged, and is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Addendum as of the date first written above.

ADDENDUM NO. ELEVEN TO THE BASIC AGREEMENT BETWEEN THE CITY OF PALO ALTO, THE CITY OF MOUNTAIN VIEW AND THE CITY OF LOS ALTOS FOR THE ACQUISITION, CONSTRUCTION AND MAINTENANCE OF A JOINT SEWER SYSTEM

This Addendum No. Eleven (11) to the Basic Agreement for the Acquisition, Construction and Maintenance of a Joint Sewer System is made and entered into on [DATE], by and among the CITY OF PALO ALTO (“Palo Alto”), the CITY OF MOUNTAIN VIEW (“Mountain View”), and the CITY OF LOS ALTOS (“Los Altos”) (individually, a “Party”, collectively, the “Parties”), all municipal corporations under the laws of the State of California.

RECITALS

A. The Parties have entered into that certain Basic Agreement Between the City of Palo Alto, the City of Mountain View and the City of Los Altos for the Acquisition, Construction, and Maintenance of a Joint Sewer System, executed on October 10, 1968, as amended by the Addenda described below (collectively, the “Basic Agreement”). The Basic Agreement has been amended ten times by addenda, as follows: Addendum No. One (1) to Basic Agreement Between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System, dated as of December 5, 1977; Addendum No. Two (2) to Basic Agreement Between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System dated as of January 14, 1980; Addendum No. Three (3) to an Agreement By and Between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System, dated as of April 9, 1985; Addendum No. Four (4) to the Agreement By and Between the Cities of Mountain View, Los Altos, and Palo Alto as further amended and dated May 30, 1991; Addendum No. Five (5) to Basic Agreement Between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System, dated as of July 31, 1992; Addendum No. Six (6) to Basic Agreement Between the City of Palo Alto, the City of Mountain View, and the City of Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System dated as of March 16, 1998; and Addendum No. Seven (7) to Basic Agreement Between the City of Palo Alto, the City of Mountain View, and the City of Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System dated as of April 15, 2009; Addendum No. Eight (8) to the Basic Agreement between the City of Palo Alto, the City of Mountain View and the City of Los Altos for the Acquisition, Construction, and Maintenance of a Joint Sewer System dated as of October 17, 2016; Addendum No. Nine (9) to the Basic Agreement between the City of Palo Alto, the City of Mountain View and the City of Los Altos for the Acquisition, Construction and Maintenance of a Joint Sewer System dated March 4, 2019; and Addendum No. Ten (10) to the Basic Agreement between the City of Palo Alto, the City of Mountain View, and the City of Los Altos for the Acquisition, Construction and Maintenance of a Joint Sewer System dated May 17, 2021 (collectively, the “Addenda”).

B. Palo Alto owns and operates the sanitary sewerage treatment and disposal works and system (the “Joint System”) pursuant to the Basic Agreement, and is responsible for making capital additions to the Joint System. Under the Basic Agreement, any major capital additions for the replacement of obsolete or worn-out units require an agreement by the Parties amending the Basic Agreement.

C. The Parties now desire to increase the maximum amount of financing authorized for the construction of the Primary Sedimentation Tank Project approved by Addendum No. Ten (10) to reflect increases in Project Costs as defined therein, including design engineering, construction management, program management, and construction costs.

D. The Parties further desire to agree to construct a project to improve the Joint System by upgrading the secondary treatment process (biological process) to a process that removes harmful nitrogen by creating anoxic and aerated zones in existing aeration basins. The project will improve final water quality, ensure the Plant continues to meet effluent discharge permit limits, and allow for ultimate decommissioning of the aging biotrickling filters and other aging equipment. The Parties also agree to provide for the sharing of costs associated with this project. The project will become part of the Regional Water Quality Control Plant (the “Plant”), which is owned and operated by Palo Alto as part of the Joint System.

AGREEMENT

NOW, THEREFORE, in consideration of the terms, conditions and covenants set forth in this Addendum No. Eleven (11), the Basic Agreement is hereby amended, as follows:

Section 1. Paragraph 41 is hereby added to the Basic Agreement to read, as follows:

“41. MAXIMUM AMOUNT OF FINANCING FOR THE PRIMARY SEDIMENTATION TANK REHABILITATION PROJECT. The maximum amount of financing authorized for the Primary Sedimentation Tank Rehabilitation Project described in Paragraph 40 is increased from \$17.0 million to \$19.4 million.”

Section 2. Paragraph 42 is hereby added to the Basic Agreement to read, as follows:

“42. CONSTRUCTION AND IMPLEMENTATION OF THE SECONDARY TREATMENT UPGRADES PROJECT. Palo Alto, Mountain View, and Los Altos hereby approve the construction of various improvements collectively referred to as the Secondary Treatment Upgrades or “STU” Project. The STU Project includes: new air blowers; air diffusers in aerobic zones; anoxic zone pulsed air equipment; membrane aerated biofilm reactor cassettes; slide and sluice gates and valves to isolate and throttle flows; instruments such as flowmeters and oxygen probes; power distribution equipment including standby diesel generator and power transfer equipment; and return activated sludge piping and pumping. Each Party shall pay its share of the STU Project Costs, in proportion to the capacity it owns in the Joint System or portion thereof as shown in Exhibit “H” to Addendum No. Six (6) to the Basic Agreement. “Project Costs”, as used in this Section 42, means all costs incurred in connection with the construction and implementation of these two Projects. Without limiting the generality of the foregoing, Project Costs shall include, but not be limited to: engineering and other consultants’ fees and costs, including fees incurred pursuant to agreements with engineers, contractors and other consulting, design and construction professionals; deposits, applicable permit fees; all costs to apply for and secure necessary permits from all required regional, state, and federal agencies; plan check fees, and inspection fees; construction costs; initial maintenance; attorneys’ fees and costs; insurance; interest from the date of payment on any contracts.

The Parties authorize Palo Alto to receive State Revolving Fund (“SRF”) loans from the State Water Resources Control Board (“SWRCB”) or pursue other project financing (i.e. utility

revenue bonds) to fund the costs of the Project. The maximum amount of financing for the project is one hundred ninety-three million dollars and no cents (\$193,000,000).

The SRF loan will have a thirty-year repayment term. The repayments of the SRF loan shall be treated in the same manner as debt services under the Basic Agreement and its Addenda, and repaid by the Parties in the same proportionate shares as shown on Exhibit "H" to Addendum No. Six (6) to the Basic Agreement. The Parties further agree that, if necessary, each Party shall secure the funding necessary for repayment of the SRF loan, operations, and/or maintenance of the Projects, following any appropriate process executed under California Constitution article XIII C and D (Proposition 218).

If the SWRCB terminates its loan commitment unexpectedly following execution of the planning and/or construction contract(s) for the Project, Palo Alto shall notify the Parties promptly. Following notification of the termination of the SRF loan commitment, the Parties shall meet in a timely manner to discuss alternative funding sources and strategies for completion of the Project. If the Parties are unable to agree on new funding sources in a timely manner, then Palo Alto shall have the right to terminate the Project.

The Parties shall remain responsible for Project Costs and loans incurred, whether before or after termination of the Project/Projects, including costs incurred in connection with the termination of Project planning/design/construction contract(s), in the same proportion to each organization's share of Plant capacity, as stated in Exhibit "H" to Addendum No. Six (6) of the Basic Agreement. Total Project Costs shall not exceed the authorized maximum financing amount approved by Parties without prior approval of each Party's governing body. Unless earlier terminated, the obligations and responsibilities of the Parties shall commence with the execution of Addendum No. Eleven (11) to the Basic Agreement and be in force for the term of the SRF loan or other financing.

Mountain View and Los Altos shall pay their respective shares of any Project Costs within thirty (30) business days of receipt of the quarterly billing statement sent by Palo Alto. Palo Alto shall not send more than one invoice in any thirty-day period. If a Party disputes the correctness of an invoice, it shall pay the invoice in full and the dispute shall be resolved after payment in accordance with Section 19 of the Basic Agreement, and shall not offset against any payment due.

Section 3. Except as modified herein, the Basic Agreement shall remain unchanged, and is hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Addendum as of the date first written above.

**AMENDMENT NO.2 TO CONTRACT NO. C19171565
BETWEEN THE CITY OF PALO ALTO AND
BROWN AND CALDWELL**

This Amendment No. 2 (this "Amendment") to Contract No. C19171565 (the "Contract" as defined below) is entered into as of December 5, 2022, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and BROWN AND CALDWELL, a California corporation, located at 201 N. Civic Drive, Suite 115, Walnut Creek, CA 94596 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

RECITALS

- A. The Contract was entered into by and between the Parties hereto for the provision of design and engineering services to upgrade its existing two-stage secondary treatment process at the Regional Water Quality Control Plant (RWQCP) (the "Project"), as detailed therein.
- B. The Parties entered into Amendment No.1 to extend the Contract term, specify Additional Services to be performed, and increase the Compensation, as detailed therein.
- C. The Parties now wish to amend the Contract to extend the term through March 31, 2028, update the Hourly Rate Schedule Exhibit C-1, and increase the total not-to-exceed compensation by One-Million, Four-Hundred-Eighty-Four-Thousand, Six-Hundred-Eighty-Nine Dollars (\$1,484,689) from Four-Million Four-Hundred Twenty-Four-Thousand One-Hundred-Two Dollars (\$4,424,102) to Five-Million Nine-Hundred-Eight-Thousand, Seven-Hundred-Ninety-One Dollars (\$5,908,791), as detailed herein.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C19171565 between CONSULTANT and CITY, dated September 10, 2018, as amended by:

Amendment No. 1, dated October 19, 2020

- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 2 "TERM" of the Contract is hereby amended to read as follows:

"The term of this Agreement shall be from the date of its full execution through March 31, 2028, unless terminated earlier pursuant to Section 19 (Termination) of this Agreement."

Vers.: Aug. 5, 2019

SECTION 3. Section 4. "NOT TO EXCEED COMPENSATION" of the Contract is amended and replaced in its entirety to read as follows:

"The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit "A" ("Basic Services"), and reimbursable expenses, shall not exceed Five Million Three-Hundred Seventy-One-Thousand Six Hundred Twenty-Eight Dollars (\$5,371,628). CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. In the event Additional Services are authorized, the total compensation for Basic Services, Additional Services and reimbursable expenses shall not exceed Five Million Nine Hundred Eight-Thousand Seven Hundred Ninety-One Dollars (\$5,908,791). The applicable rates and schedule of payment are set out at Exhibit "C-1", entitled "HOURLY RATE SCHEDULE," which is attached to and made a part of this Agreement. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C". CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit "A".

SECTION 4. The following exhibit(s) to the Contract are hereby amended or added, as indicated below, to read as set forth in the attachment(s) to this Amendment, which are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 2", ADDED.
- b. Exhibit "B" entitled "SCHEDULE OF PERFORMANCE, AMENDMENT NO. 2", AMENDED, REPLACES PREVIOUS.
- c. Exhibit "C" entitled "COMPENSATION, AMENDMENT NO. 2", AMENDED, REPLACES PREVIOUS.
- d. Exhibit "C-1" entitled "HOURLY RATE SCHEDULE, AMENDMENT NO. 2", AMENDED, REPLACES PREVIOUS.

SECTION 5. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 6. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

Vers.: Aug. 5, 2019

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Amendment on the date first above written.

CITY OF PALO ALTO

BROWN AND CALDWELL

City Manager or Designee

Officer 1 DocuSigned by:
Angela MacKinnon, Vice President
57C47715DD124F1...
By: _____
Name: Angela MacKinnon, Vice President
Title: Vice President

APPROVED AS TO FORM:

City Attorney or Designee

Officer 2 DocuSigned by:
Lori Jones, Vice President
15DE8D15890B4C9
By: _____
Name: Lori Jones, Vice President
Title: Vice President

- Attachments:
Exhibit "A" entitled "SCOPE OF SERVICES, AMENDMENT NO. 2" (ADDED)
Exhibit "B" entitled "SCHEDULE OF PERFORMANCE, AMENDMENT NO. 2" (AMENDED, REPLACES PREVIOUS)
Exhibit "C" entitled "COMPENSATION AMENDMENT NO. 2" (AMENDED, REPLACES PREVIOUS)
Exhibit "C-1" entitled "HOURLY RATE SCHEDULE, AMENDMENT NO. 2" (AMENDED, REPLACES PREVIOUS)

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Attachment: Attachment D - Amend 2 to Contract C-19171565 with B&C (14918 : RWQCP Secondary Treatment Upgrades Project Review)

EXHIBIT "A"
SCOPE OF SERVICES, AMENDMENT NO. 2
(ADDED)

Amendment No. 2 is needed to add funds in the amount of \$1,484,689 to the project to address the delayed construction start date and construction duration and to account for:

1. Additional design services to aid in construction bidding and during construction:
 - a. Further development of an indicative construction schedule.
 - b. Further development of construction sequencing and constraints specifications.
 - c. Preliminary design of temporary facilities and systems required during construction, including development of preliminary design drawings.
 - d. As-needed additional engineering services for unforeseen site conditions and coordination with other ongoing major capital projects at the RWQCP
 - e. Updated opinion of probable construction cost (OPCC) and projection of cash flow during construction for budgeting purposes.
 - f. Participation in a constructability review to be conducted by the City's selected construction manager.
 - g. Additional meetings and workshops.
2. Additional bid period services associated with the items listed above and the expanded scope and complexity of the Project.
3. Additional engineering services during construction (ESDC) associated with a larger volume of construction documents and resubmittals
4. the items listed above and the expanded scope and complexity of the Project.
5. Additional commissioning and startup services to account for staged commissioning and startup of the Project.
6. Additional project management services associated with the expanded scope and duration of the Project.
7. Updated costs, accounting for increases in hourly billing rates, for providing engineering services during construction.

BACKGROUND

The scope, size, and complexity of the Project have increased significantly since its inception. In addition, the Project's schedule has been extended from a projected completion date in mid-2022 (based on the original baseline schedule) to mid-2026 (based on the September 2021 schedule update). Likewise, the estimated construction cost of the project has increased from \$31 million (based on February 2018 planning report prepared by Carollo Engineers) to \$118 million (based on cost estimate developed for 90% complete design documents prepared by BC).

Due to the complexity of construction sequencing and constraints associated with the Project, the originally planned approach using a single specification section to describe construction requirements in narrative format is not sufficient to communicate requirements to the bidders and selected contractor. Therefore, more detailed construction requirements, including a detailed indicative construction schedule, additional and expanded specifications, and additional drawings, are required to adequately illustrate the requirements. The intent of this additional effort is to increase certainty

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that bids are based on a common understanding of construction requirements and to avoid adverse impacts during construction, such as disruptions to operation and maintenance of the Plant. In addition, the City has requested additional services as described herein that were not included in the original contract or contract amendments issued previously by the City.

TASKS

BC will complete the tasks described below.

Task 230.210 – Additional Design Services

Further Development of Indicative Construction Schedule: BC will refine the construction schedule developed previously based on further development of construction requirements as described in tasks below. The schedule will remain in Microsoft Project format and will become an attachment to Section 01 12 16 (Work Sequence and Constraints) of the specifications.

The schedule will be Level 3 as defined by AACE International and will illustrate an indicative approach for building the project based on the specified construction sequence and constraints. The intent is to facilitate the bidders' and selected contractor's understanding of the project, but the contractor will be responsible for developing a separate construction schedule based on the specified requirements.

Deliverables for this task are as follows:

- Draft construction schedule in pdf and Microsoft Project formats
- Final construction schedule in pdf and Microsoft Project formats

Further Development of Construction Sequencing and Constraints Specifications: BC will further develop specifications for the following:

- Construction sequencing and constraints
- Temporary facilities and systems, including bypass pumping systems, an aeration blower system, a standby generator system, and temporary power supply systems serving these items

BC will include requirements in the specifications for the Contractor to obtain any necessary permits for temporary standby generators required to maintain operations and reliability of the Plant during construction of the Project. BC will not prepare any applications for such permits.

Deliverables for this task are as follows:

- Draft 90% complete specifications in pdf format
- Final specifications in pdf format (included with final bid document package for entire project)

Preliminary Design of Temporary Facilities and Systems: BC will develop preliminary design drawings for temporary facilities and systems required during construction. The designs will be limited to items listed below and will not include items such as construction trailers, laydown areas, parking, and temporary utilities. The intent of the preliminary designs is to facilitate the bidders' and selected contractor's understanding of the project, but the contractor will be responsible for developing final

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designs of all temporary facilities and systems. Items included in this task are as follows:

- Development of drawings depicting preliminary configurations and minimum requirements for temporary facilities and systems

Temporary facilities and systems will include the following:

- Temporary bypass pumping systems, including general locations of temporary bulkheads and coffer dams:
 - ILS And FFR Temporary Bypass Pumping Plan
 - FFR Temporary Drainage Pumping Plan
 - Aeration Tank 1 Temporary Bypass Pumping Plan
 - Aeration Tank 2 Temporary Bypass Pumping Plan
 - Aeration Tank 3 Temporary Bypass Pumping Plan
 - Aeration Tank 4 Temporary Bypass Pumping Plan
- Temporary aeration blowers:
 - Three temporary aeration blowers installed in parking lot adjacent to existing Blower Room and associated power supply, controls, valves, piping, and appurtenances
- Temporary standby generator
 - One 1,100 kW portable standby generator to replace an existing generator during construction of a new generator system
- Temporary power for Load Center 11
 - Temporary connection to SW1911.5x (located at the northeast corner of the primary sedimentation tanks in the yard area east of the Solids Building per direction from the City)

Drawings to be developed for this task are listed in Table 1.

Table 1. List of Drawings for Temporary Facilities and Systems	
Drawing	Description
	<u>GENERAL CONSTRUCTION</u>
000-GC-0000	COVER SHEET, VICINITY MAP, AND LOCATION MAP
000-GC-0001	INDEX OF DRAWINGS
000-GC-0002	SYMBOLS AND LEGENDS
000-GC-0003	ABBREVIATIONS
000-GC-1010	PHASE 1 KEY PLAN
000-GC-1020	PHASE 2 KEY PLAN
000-GC-1030	PHASE 3 KEY PLAN
000-GC-1040	PHASE 4 KEY PLAN
000-GC-1050	PHASE 5 KEY PLAN
000-GC-1060	PHASE 6 KEY PLAN
	<u>MECHANICAL CONSTRUCTION</u>

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Table 1. List of Drawings for Temporary Facilities and Systems	
Drawing	Description
000-DC-0001	SYMBOLS AND LEGENDS
110-DC-1110	ILS AND FFR TEMPORARY BYPASS PUMPING PLAN
110-DC-4110	ILS AND FFR TEMPORARY BYPASS PUMPING PLANS, SECTIONS AND DETAILS
120-DC-1110	FFR TEMPORARY DRAINAGE PUMPING PLAN
120-DC-4110	FFR TEMPORARY DRAINAGE PUMPING PLANS AND SECTIONS
132-DC-1110	AERATION TANK 1 TEMPORARY BYPASS PUMPING PLAN
132-DC-1210	AERATION TANK 2 TEMPORARY BYPASS PUMPING PLAN
132-DC-1310	AERATION TANK 3 TEMPORARY BYPASS PUMPING PLAN
132-DC-1410	AERATION TANK 4 TEMPORARY BYPASS PUMPING PLAN
132-DC-4110	AERATION TANK TEMPORARY BYPASS PUMPING SECTIONS
137-DC-1110	MA COMPRESSORS INSTALLATION IN TEMPORARY LOCATION
	<u>ELECTRICAL</u>
000-ED-0001	LEGENDS AND SYMBOLS
000-ED-0002	LEGENDS AND SYMBOLS
005-EC-6010	PHASE 1 ONE-LINE DIAGRAM
005-EC-6020	PHASE 2 ONE-LINE DIAGRAM
005-EC-6030	PHASE 3 ONE-LINE DIAGRAM
005-EC-6040	PHASE 4 ONE-LINE DIAGRAM
005-EC-6050	PHASE 5 ONE-LINE DIAGRAM
005-EC-6060	PHASE 6 ONE-LINE DIAGRAM
005-EC-6010	PHASE 1 ONE-LINE DIAGRAM
005-EC-6020	PHASE 2 ONE-LINE DIAGRAM
	<u>P&IDS</u>
000-NC-0001	SYMBOLS AND LEGENDS 1
000-NC-0002	SYMBOLS AND LEGENDS 2
000-NC-0003	SYMBOLS AND LEGENDS 3
000-NC-0004	SYMBOLS AND LEGENDS 4
110-NC-6110	TEMPORARY PE BYPASS PUMPING
120-NC-6110	TEMPORARY FFR BYPASS PUMPING
132-NC-6110	TEMPORARY AERATION TANK 1 ML BYPASS PUMPING
132-NC-6120	TEMPORARY AERATION TANK 2 INFLUENT BYPASS PUMPING
132-NC-6130	TEMPORARY AERATION TANK 3 ML BYPASS PUMPING
132-NC-6140	TEMPORARY AERATION TANK 4 INFLUENT BYPASS PUMPING
133-NC-6110	TEMPORARY BLOWER SYSTEM
133-NC-6210	TEMPORARY AERATION BLOWERS

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Assumptions for this task are as follows:

- Existing structures are suitable to loads associated with temporary facilities and systems without modifications.
- Temporary systems will be powered from the Plant's power distribution network.
- Sources and connection points to supply power to temporary systems are sufficient without modifications.

Deliverables for this task are as follows:

- Draft 100% complete drawings in pdf format
- Final drawings in pdf format (included with final bid document package for entire project)

Further Coordination with Interfacing Projects: BC will further coordinate construction requirements for the Project with projects entailing upgrades and rehabilitation of the 12 kV power distribution system and primary sedimentation tanks based on information provided by the City. Coordination will include identification of interface and overlap points between the projects. BC will include identified requirements in the specifications and indicative construction schedule. Coordination will include temporary and permanent interfaces with other projects required to construction and commission the Project.

Deliverables for this task are as follows:

- Included in other tasks.

Updated OPCC and Cash Flow Projection: BC will update the opinion of probable construction cost (OPCC) based on the specifications and drawings described above. The OPCC will also consider increased cost escalation experienced in 2021 and estimates of cost escalation in future years. The OPCC for these items will be included in the final OPCC for the entire Project. The OPCC will be Class 1 as defined by AACE International.

In addition, BC will cost load the indicative construction schedule (see task above regarding schedule development) based on the updated OPCC to generate a projection of cashflow during the construction period.

Deliverables for this task are as follows:

- Updated OPCC (to be provided in conjunction with 100% design submittal for entire Project)
- Cash flow projection, including cost loaded Microsoft Project schedule and cash flow chart

Participation in Constructability Review: BC will participate in a constructability review to be conducted by the City's construction manager based on the 100 percent complete drawings, specifications, and indicative construction schedule.

The extent of any design changes that may arise from the review is unknown. Therefore, an allowance of 250 hours is included for responding to questions, comments, and proposed changes to the document. Any changes will be made in the final bid documents.

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Deliverables for this task are as follows:

- Final bid documents

Additional Meetings and Workshops: BC will conduct or participate in additional meetings and workshops required to complete the foregoing tasks during the design period. Since the number, duration, and topics of such meetings is not known, an allowance of 80 hours is included for effort associated with the additional meetings and workshops. This allowance includes effort to prepare for workshops (e.g., preparation of agendas and presentation materials), attendance, and preparation of minutes.

Deliverables for this task are as follows:

- Meeting and workshop agendas
- Meeting and workshop presentation material
- Meeting and workshop minutes

Task 300.306 – Additional Bid Period Services

BC will provide additional bid period services associated with the additional design services listed above. It is expected that additional questions from bidders and addenda will be required based on the expanded scope and complexity of the Project. In addition, the bid period will be extended from two months to three months as requested by the City due to the Project's scope and complexity. Since the actual added effort is uncertain, an allowance of 100 hours is included in the fee estimate to account for the additional bid period services.

Deliverables:

- Additional responses to bid period questions, up to the budget limit
- Additional addenda, up to the budget limit

Task 400.409 – Additional Engineering Services During Construction

BC will provide additional ESDC associated with the work described herein, including the following:

- It is assumed that up to 50 additional submittals or resubmittals will be reviewed at an average duration of 4 hours per submittal.
- BC will prepare written responses to requests for information (RFIs) submitted by the contractor. It is assumed that up to 100 additional RFIs will be reviewed at an average duration of 3 hours per RFI.
- Up to two BC engineers will conduct up to 20 additional site visits to meet with the contractor and observe the work.
- BC will provide additional commissioning support services. For budgeting purposes, 600 additional hours of effort are included in the budget to accounted for staged commissioning and startup of the Project.
- BC will provide additional technical support regarding change orders. The construction manager will retain the primary responsibility for managing, administering, and negotiating change orders. For budgeting purposes, 100 additional hours of effort are included in the budget.

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- BC will provide additional services associated with preparation of record drawings based on the expanded scope of the project. For budgeting purposes, 100 hours of additional support are included.
- BC's subconsultant, Cal Engineering & Geology, will provide on-site field observation services during construction, including observation of pile foundation construction. The fee estimate assumes 22 separate site visits with duration of 2 to 8 hours per visit. The services also include preparation of a technical report regarding the work.

Deliverables for this task are as follows:

- Additional submittal reviews, up to the budget limit
- Additional RFI responses, up to the budget limit
- Additional technical information, drawings, and specifications to support change orders
- Additional record drawings

Task 500.504 – Additional Project Management

BC will provide additional project management associated with the expanded scope and duration of the work, including maintaining the Project schedule, invoicing, reporting, management of staff, and project controls. For budgeting purposes, 400 additional hours are included.

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EXHIBIT "B"**SCHEDULE OF PERFORMANCE, AMENDMENT NO. 2
(AMENDED-REPLACED PREVIOUS)**

CONSULTANT shall perform the Services so as to complete each milestone within the number of weeks specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the project managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of receipt of the notice to proceed.

Milestones	Completion in <u>Weeks</u> Following issuance of NTP.
1. Task 1 - Design Re-Start Meeting	02
2. Task 1 - Submit Draft PDR	24
3. Task 1 - Submit 30% Design (Final PDR)	28
4. Task 2 - Submit 60% Design	48
5. Task 2 - Submit 90% Design	60
6. Task 2 - Submit 100% Design (Bid Documents)	194
7. Task 3 - Services During Bidding	207
8. Task 4 - Services During Construction	494

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EXHIBIT "C"
COMPENSATION, AMENDMENT NO. 2
(AMENDED-REPLACED PREVIOUS)

CITY agrees to compensate CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the hourly rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task set forth below.

CONSULTANT shall perform the tasks and categories of work as outlined and budgeted below. CITY's Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below provided the total compensation for Basic Services, including reimbursable expenses, and the total compensation for Additional Services do not exceed the amounts set forth in Section 4 of this Agreement.

BUDGET SCHEDULE	NOT TO EXCEED AMOUNT
Task 1 - (Preliminary Design)	\$1,259,062
Task 2 - (Final Design)	\$1,965,570
Task 3 - (Bid Period Services)	\$136,097
Task 4 - (Eng. Services during Construction)	\$1,483,395
Task 5 - (Project Management)	\$396,303
Task 6 - (Wastewater Characterization)	\$53,211
 Sub-Total Basic Services:	 \$5,293,638
Reimbursable Expenses:	\$77,990
Total Basic Services & Reimbursable Expenses:	\$5,371,628
Additional Services (Not to Exceed):	\$537,163
Maximum Total Compensation:	\$5,908,791

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REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto's policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than \$1,000.00 shall be approved in advance by the CITY's project manager.

ADDITIONAL SERVICES

CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. CONSULTANT, at CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT proposed maximum compensation, including reimbursable expense, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by CITY's Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement

Work required because the following conditions are not satisfied or are exceeded shall be considered as additional services:

Should an Environmental Impact Report (EIR) be required under CEQA, the additional services fund may be considered for use on this task, depending upon the estimated cost to perform this service.

SCHEDULE OF RATES

Beginning on the effective date of the signing of this Contract Amendment, the following hourly rates shall continue to apply to the Tasks outlined in the scope of services in Exhibit "A."

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EXHIBIT "C-1"
HOURLY RATE SCHEDULE, AMENDMENT NO. 2
(AMENDED, REPLACES PREVIOUS)

Brown and Caldwell	Hourly Rate (3% Escalation Each Year):					
Billing Classification:	2022	2023	2024	2025	2026	2027
Office/Support Services I	\$82	\$87	\$92	\$98	\$104	\$110
Word Processor I	\$82	\$87	\$92	\$98	\$104	\$110
Drafter Trainee	\$86	\$91	\$96	\$102	\$108	\$114
Field Service Technician I	\$86	\$91	\$96	\$102	\$108	\$114
Office/Support Services II	\$86	\$91	\$96	\$102	\$108	\$114
Assistant Drafter	\$100	\$106	\$113	\$119	\$126	\$134
Field Service Technician II	\$100	\$106	\$113	\$119	\$126	\$134
Word Processor II	\$100	\$106	\$113	\$119	\$126	\$134
Office/Support Services III	\$100	\$106	\$113	\$119	\$126	\$134
Accountant I	\$104	\$110	\$116	\$123	\$131	\$139
Word Processor III	\$104	\$110	\$116	\$123	\$131	\$139
Office/Support Services IV	\$104	\$110	\$116	\$123	\$131	\$139
Drafter	\$104	\$110	\$116	\$123	\$131	\$139
Engineering Aide	\$104	\$110	\$116	\$123	\$131	\$139
Inspection Aide	\$104	\$110	\$116	\$123	\$131	\$139
Field Service Technician III	\$111	\$118	\$125	\$133	\$141	\$149
Accountant II	\$111	\$118	\$125	\$133	\$141	\$149
Word Processor IV	\$111	\$118	\$125	\$133	\$141	\$149
Geologist/Hydrogeologist I	\$111	\$118	\$125	\$133	\$141	\$149
Scientist I	\$111	\$118	\$125	\$133	\$141	\$149
Senior Field Service Technician	\$111	\$118	\$125	\$133	\$141	\$149
Engineer I	\$111	\$118	\$125	\$133	\$141	\$149
Senior Drafter	\$111	\$118	\$125	\$133	\$141	\$149
Senior Illustrator	\$111	\$118	\$125	\$133	\$141	\$149
Inspector I	\$111	\$118	\$125	\$133	\$141	\$149
Accountant III	\$136	\$144	\$153	\$162	\$172	\$182
Area Business Operations Mgr.	\$136	\$144	\$153	\$162	\$172	\$182
Technical Writer	\$136	\$144	\$153	\$162	\$172	\$182
Word Processing Supervisor	\$136	\$144	\$153	\$162	\$172	\$182
Geologist/Hydrogeologist II	\$136	\$144	\$153	\$162	\$172	\$182
Scientist II	\$136	\$144	\$153	\$162	\$172	\$182
Engineer II	\$136	\$144	\$153	\$162	\$172	\$182
Inspector II	\$136	\$144	\$153	\$162	\$172	\$182

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Brown and Caldwell	Hourly Rate (3% Escalation Each Year):					
Billing Classification:	2022	2023	2024	2025	2026	2027
Lead Drafter	\$136	\$144	\$153	\$162	\$172	\$182
Lead Illustrator	\$136	\$144	\$153	\$162	\$172	\$182
Accountant IV	\$159	\$168	\$178	\$189	\$200	\$212
Administrative Manager	\$159	\$168	\$178	\$189	\$200	\$212
Geologist/Hydrogeologist III	\$159	\$168	\$178	\$189	\$200	\$212
Scientist III	\$159	\$168	\$178	\$189	\$200	\$212
Engineer III	\$159	\$168	\$178	\$189	\$200	\$212
Inspector III	\$159	\$168	\$178	\$189	\$200	\$212
Senior Designer	\$159	\$168	\$178	\$189	\$200	\$212
Supervising Drafter	\$159	\$168	\$178	\$189	\$200	\$212
Supervising Illustrator	\$159	\$168	\$178	\$189	\$200	\$212
Senior Technical Writer	\$182	\$193	\$205	\$217	\$230	\$244
Senior Geologist/Hydrogeologist	\$182	\$193	\$205	\$217	\$230	\$244
Senior Scientist	\$182	\$193	\$205	\$217	\$230	\$244
Senior Engineer	\$182	\$193	\$205	\$217	\$230	\$244
Principal Designer	\$182	\$193	\$205	\$217	\$230	\$244
Senior Construction Engineer	\$182	\$193	\$205	\$217	\$230	\$244
Senior Engineer	\$182	\$193	\$205	\$217	\$230	\$244
Principal Engineer	\$225	\$239	\$253	\$268	\$284	\$301
Principal Construction Engineer	\$225	\$239	\$253	\$268	\$284	\$301
Supervising Designer	\$225	\$239	\$253	\$268	\$284	\$301
Assistant Controller	\$259	\$274	\$291	\$308	\$327	\$346
Supervising Scientist	\$259	\$274	\$291	\$308	\$327	\$346
Supervising Geologist/Hydrogeologist	\$259	\$274	\$291	\$308	\$327	\$346
Supervising Engineer	\$259	\$274	\$291	\$308	\$327	\$346
Supervising Const. Engineer	\$259	\$274	\$291	\$308	\$327	\$346
Area Business Ops Mgr. IV	\$305	\$323	\$343	\$363	\$385	\$408
Managing Geologist/Hydrogeologist	\$305	\$323	\$343	\$363	\$385	\$408
Managing Scientist	\$305	\$323	\$343	\$363	\$385	\$408
Managing Engineer	\$305	\$323	\$343	\$363	\$385	\$408
Corp Marketing Comm. Mgr.	\$328	\$347	\$368	\$390	\$413	\$438
Managing Geologist/Hydrogeologist	\$328	\$347	\$368	\$390	\$413	\$438
Chief Scientist	\$328	\$347	\$368	\$390	\$413	\$438
Chief Geologist/Hydrogeologist	\$328	\$347	\$368	\$390	\$413	\$438
Chief Engineer	\$328	\$347	\$368	\$390	\$413	\$438
Executive Engineer	\$328	\$347	\$368	\$390	\$413	\$438
Vice President	\$328	\$347	\$368	\$390	\$413	\$438

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Notes:

1. Above rates are effective from January 1, 2002 through December 31, 2027. Rates are escalated at 3% per year from 2022.
2. Rates include salary, overhead and profit.
3. Sub-consultants' work will be billed to City at cost plus 10% markups. For direct costs where a 10% increase has already been added by the subconsultant(s), Brown and Caldwell is not authorized to bill the City an additional 10% markups on top of the 10% markups already added by the subconsultant(s).

Attachment: Attachment D - Amend 2 to Contract C19171565 with B&C (14918 : RWQCP Secondary Treatment Upgrades Project Review)

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SUB-CONSULTANT RATES

Sub-consultant Firm Name: CAL Engineering & Geology

Scope of Work: To provide geotechnical study, inspection and laboratory test services as ordered and directed by Kennedy/Jenks:

Rates:

Personnel	2022	2023	2024	2025	Rates/Units
Senior Principal Engineer/Geologist	\$290	\$300	\$310	\$320	per hour
Principal Engineer/Geologist	\$250	\$260	\$270	\$280	per hour
Associate Engineer/Geologist	\$225	\$230	\$235	\$240	per hour
Senior Engineer/Geologist	\$210	\$215	\$220	\$225	per hour
Construction Manager	\$205	\$210	\$215	\$220	per hour
Project Engineer/Geologist	\$175	\$180	\$185	\$190	per hour
Staff Engineer/Geologist	\$155	\$160	\$165	\$170	per hour
Technician* (Straight time rate)	\$140	\$145	\$150	\$155	per hour
Special Inspector* (Straight time rate)	\$140	\$145	\$150	\$155	per hour
Senior GIS/CADD Specialist	\$150	\$155	\$160	\$165	per hour
GIS/CADD Specialist	\$135	\$140	\$145	\$150	per hour
Computational Geoscientist	\$175	\$180	\$185	\$190	per hour
Project Assistant	\$105	\$110	\$115	\$120	per hour
Administration/Clerical	\$95	\$100	\$105	\$110	per hour
Deposition/Court Testimony (minimum 4 hours)	\$420	\$435	\$450	\$465	per hour

* Rates for technician and inspector work that are subject to State of California prevailing wage laws are for straight time, and reflect wage and benefits scales published by the California Department of Industrial Relations (DIR) for the greater San Francisco Bay Area as of June 1, 2021. Standard overtime and holiday overtime rates are 15% and 30% more than the straight time rates. All services subject to prevailing wage laws will be subject to change on a prorated basis to reflect applicable revisions to the DIR's published wage and benefit scales.

Notes:

1. Professional Services - These are "all-up" rates, and include direct salary cost, overhead, general and administrative costs not separately accounted for, and profit. They shall remain in effect through December 31, 2025. Unless otherwise agreed upon, ongoing work that continues beyond December 31, 2025 will include an anticipated annual increase of 3 percent or the CPI, whichever is greater. Rates for services subject to state prevailing wage laws will change as noted in response to revisions to the published wage and benefit scales.

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2. Travel Time - Travel time will be charged at regular hourly rates, not to exceed eight (8) hours per day.
3. Expenses - All direct costs will be billed at actual cost plus 10%, unless there is explicit agreement otherwise. Direct costs include:
 - Third party services – Fees for subcontracted third party services (including drilling and backhoe services, special consultant fees, permits, special equipment rental, overnight mail or messenger services and other similar project related costs).
 - Travel expenses, including airfares, hotel, meals, ground transportation, and miscellaneous expenses.
 - Reproduction costs, including photocopy, blueprints, graphics, photo prints or printing.
4. Subconsultants - To the extent that it becomes necessary to use subconsultants, Client will be invoiced at cost plus 10% to cover insurance liability and other overhead costs.
5. Accounting - The cost of normal accounting services for invoicing has been considered in the overhead expense which is included in the above hourly rates. Additional requirements for invoice verification, such as copies of time sheets, detailed expense records, and supplemental daily work justification will be billed on an hourly basis.

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**AMENDMENT NO. 2 TO CONTRACT NO. C21179265C
BETWEEN THE CITY OF PALO ALTO
AND CAROLLO ENGINEERS, INC.**

This Amendment No. 2 (this "Amendment") to Contract No. C21179265C (the "Contract" as defined below) is entered into as of December 5, 2022, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and CAROLLO ENGINEERS, INC., a California corporation, located at 2795 Mitchell Drive, Walnut Creek, CA 94598 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

RECITALS

- A. The Contract (as defined below) was entered into by and between the Parties to provide construction management and inspection services on an on-call, as-needed, time-limited basis in connection with individual projects or inspection tasks at the Regional Water Quality Control Plant (RWQCP), as detailed therein.
- B. The Parties entered into Amendment No. 1 to add Task 2 services (referred to as Work Order No. 2) for Construction Management and Inspection Services for the 12kV Electrical Power Distribution Loop Rehabilitation Bid Package 1 Project, and to increase compensation by Six Hundred Four Thousand Two Hundred Forty-Six Dollars (\$604,246.00), from One Dollar (\$1.00) to Six Hundred Four Thousand Two Hundred Forty-Seven Dollars (\$604,247.00), as detailed therein.
- C. The Parties now wish to amend the Contract in order to (1) extend the contract term through March 31, 2028; (2) add Task 3 services (referred to as Work Order No. 3) for Construction Management Services for the Secondary Treatment Upgrades Project; and (3) increase compensation by Eight Million Two Hundred Thirty-Seven Thousand Twenty-One Dollars (\$8,237,021.00), from Six Hundred Four Thousand Two Hundred Forty-Seven Dollars (\$604,247.00) to Eight Million Eight Hundred Forty-One Thousand Two Hundred Sixty-Eight Dollars (\$8,841,268.00), as detailed herein.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C21179265C between CONSULTANT and CITY, dated June 14, 2021, as amended by:

Amendment No. 1, dated November 7, 2022
- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 4 “NOT TO EXCEED COMPENSATION” of the Contract is hereby amended to read as follows:

“The CITY is engaging multiple consultants, including CONSULTANT, that are eligible to respond with proposals to the CITY’s project-specific Task Orders under the process described in Exhibit A. The compensation to be paid to CONSULTANT for performance of the Services shall be based on the compensation structure detailed in Exhibit C, entitled “COMPENSATION,” including any reimbursable expenses specified therein, and the maximum total compensation shall not exceed **One Dollar (\$1)**, unless CITY selects CONSULTANT, according to the process in Exhibit A, to perform services under a Task Order not to exceed **Eight Million Two Hundred Thirty-Seven Thousand Twenty-One Dollars (\$8,237,021.00)** over the term of the Agreement. No pre-qualified consultant, including the CONSULTANT under this Agreement, is guaranteed selection or assured of any minimum quantity of work to be performed. In the event CONSULTANT is not selected to provide Services under a Task Order, no payment is due from CITY.

The hourly schedule of rates, if applicable, is set out in Exhibit C-1, entitled “SCHEDULE OF RATES.” Any work performed, or expenses incurred for which payment would result in a total exceeding the maximum compensation set forth in this Section 4 shall be at no cost to the CITY.

- A. The City has selected CONSULTANT to perform Work Order #2, for construction management and inspection services for the Medium Voltage Electrical Network (12kV Elec. Loop) Rehabilitation Bid Package 1 Project, in the amount not to exceed **Five Hundred Forty-Nine Thousand Three Hundred Fifteen Dollars (\$549,315.00)**. CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. In the event Additional Services (as defined below) are authorized, the total compensation for Basic Services, Additional Services and reimbursable expenses shall not exceed **Six Hundred Four Thousand Two Hundred Forty-Seven Dollars (\$604,247.00)**.
- B. The City has selected CONSULTANT to perform Work Order #3, for construction management services for the Secondary Treatment Upgrades Project, in the amount not to exceed **Seven Million Four Hundred Eighty-Eight Thousand Two Hundred One Dollars (\$7,488,201.00)**. CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. In the event Additional Services (as defined below) are authorized, the total compensation for Basic Services, Additional Services and reimbursable expenses shall not exceed **Eight Million Two Hundred Thirty Seven Thousand Twenty-One Dollars (\$8,237,021.00)**.

Optional Additional Services Provision (This provision applies only if checked and a not-to-exceed compensation amount for Additional Services is allocated below under this Section 4.)

In addition to the not-to-exceed compensation specified above, CITY has set aside the not-to-exceed compensation amount of **Fifty-Four Thousand Nine Hundred Thirty-Two Dollars (\$54,932.00)** for the performance of Additional Services for Work Order #2 and **Seven Hundred Forty-Eight Thousand Eight Hundred Twenty Dollars (\$748,820.00)** for Work Order #3 (as

defined below). The total compensation for performance of the Services, Additional Services and any reimbursable expenses specified in Exhibit C, shall not exceed **Eight Million Eight Hundred Forty-One Thousand Two Hundred Sixty-Eight Dollars (\$8,841,268.00)** as detailed in Exhibit C.

“Additional Services” means any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described in a Task Order issued under Exhibit A. CITY may elect to, but is not required to, authorize Additional Services up to the maximum amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall provide Additional Services only by advanced, written authorization from CITY as detailed in this Section. Additional Services, if any, shall be authorized by CITY with a Task Order assigned and authorized by CITY’s Project Manager, as identified in Section 13 (Project Management). Each Task Order shall be in substantially the same form as Exhibit A-1, entitled “PROFESSIONAL SERVICES TASK ORDER”. Each Task Order shall contain a specific scope of services, schedule of performance and maximum compensation amount, in accordance with the provisions of this Agreement. Compensation for Additional Services shall be specified by CITY in the Task Order, based on whichever is lowest: the compensation structure set forth in Exhibit C, the hourly rates set forth in Exhibit C-1, or a negotiated lump sum.

To accept a Task Order, CONSULTANT shall sign the Task Order and return it to CITY’s Project Manager within the time specified by the Project Manager, and upon authorization by CITY (defined as counter-signature by the CITY Project Manager), the fully executed Task Order shall become part of this Agreement. The cumulative total compensation to CONSULTANT for all Task Orders authorized under this Agreement shall not exceed the amount of compensation set forth for Additional Services in this Section 4. CONSULTANT shall only be compensated for Additional Services performed under an authorized Task Order and only up to the maximum amount of compensation set forth for Additional Services in this Section 4. Performance of and payment for any Additional Services are subject to all requirements and restrictions in this Agreement.”

SECTION 3. The following exhibit(s) to the Contract are hereby amended, as indicated below, to read as set forth in the attachment(s) to this Amendment, which are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit “A-3” entitled ““PROFESSIONAL SERVICES TASK ORDER NO. 3, AMENDMENT NO. 2” (ADDED).
- b. Exhibit “B” entitled “SCHEDULE OF PERFORMANCE, AMENDMENT NO. 2” (AMENDED, REPLACES PREVIOUS)
- c. Exhibit “C” entitled “COMPENSATION, AMENDMENT NO. 2,” (AMENDED, REPLACES PREVIOUS).

SECTION 4. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 5. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

CITY OF PALO ALTO

CAROLLO ENGINEERS, INC.

City Manager or Designee

Officer 1

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:

Officer 2

City Attorney or Designee

By: _____

Name: _____

Title: _____

Attachments:

Exhibit "A-3": PROFESSIONAL SERVICES TASK ORDER NO. 3

Exhibit "B": SCHEDULE OF PERFORMANCE

Exhibit "C": COMPENSATION

Attachment: Attachment E - C21179265C_Carollo_Amendment #2_For MT draft (14918 : RWQCP Secondary Treatment Upgrades Project

EXHIBIT "A-3"
PROFESSIONAL SERVICES TASK ORDER NO. 3, AMENDMENT NO. 2
(ADDED)

CONSULTANT shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 are incorporated into this Task Order by this reference. CONSULTANT shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179265C

- 1A. MASTER AGREEMENT NO.: C21179265C
- 1B. TASK ORDER NO 3: Work Order No. 3 for Construction Management Services for the Secondary Treatment Project
2. CONSULTANT NAME: CAROLLO ENGINEERS, INC.
3. PERIOD OF PERFORMANCE: START: Immediately Once Notice To Proceed (NTP) is Issued; COMPLETION: 276 Weeks from NTP
4. TOTAL TASK ORDER NO. 3 PRICE: \$7,488,201.00
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT: \$0
5. WBS/CIP: WQ-19001
6. CITY PROJECT MANAGER: Padmakar Chaobal, Public Works Department, Environmental Services Division, RWQCP
7. DESCRIPTION OF SCOPE OF SERVICES MUST INCLUDE:
 - Services And Deliverables To Be Provided
 - Schedule Of Performance
 - Maximum Compensation Amount And Rate Schedule (*As Applicable*)
 - Reimbursable Expenses, If Any (With "Not To Exceed" Amount)
8. ATTACHMENTS: Task Order No. 3 Scope Of Services, including Schedule of Performance and Compensation Schedule

TASK ORDER #3 SCOPE OF SERVICES

WORK ORDER NO. 3: CONSTRUCTION MANAGEMENT SERVICES FOR THE SECONDARY TREATMENT UPGRADES PROJECT

Task 1: General Requirements

1. For any work which requires licensing, the Proposers shall be appropriately licensed in accordance with the laws of the State of California. The cost for any required licenses or training shall be the responsibility of the successful Proposers and shall not be expensed as part of this contract.
2. CONSULTANT shall prepare and submit to the City a Project Management Plan to include schedule; budget; spending projection and staffing level for each month for the duration of the contract term; personnel roles and construction management

procedures. CONSULTANT shall provide all necessary administration, project controls, quality assurance and professional oversight to ensure that:

- a. The project remains on schedule, within budget, ensures continuity of information, and satisfies the requirements of the CONTRACT.
 - b. The construction project is progressing per construction contract's requirements.
3. For the STU Project, the CITY will seek disbursement from SRF for some or all of the CONSULTANT's costs. CONSULTANT shall provide SRF required documentation with the invoices and clearly indicate the eligible SRF disbursement amount. Reimbursable For personnel travels to the project site from an area outside of the San Francisco Bay Area and within the State of California, personal vehicle mileage reimbursement rates and meal allowance shall in accordance with the rates published by the State each year. See <https://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>
 4. At the beginning of each month, CONSULTANT shall prepare and submit to the City Project Manager a monthly invoice package. The City prefers processing CONSULTANT pay requests that cover one calendar month. Monthly invoice packages shall include the cost incurred during previous month including subconsultant cost and expenses, and a progress report documenting progress. The report shall include the progress by each task, the budget status (authorized amount, current billing, billed to date, previously billed, amount remaining, and percent spent), outstanding issues, potential changes, project schedule and schedule impacts. CONSULTANT shall identify and mitigate potential budget overruns; and notify CITY Project Manager as soon as the potential overrun is identified. If SRF funding is used, progress reports shall include a summary of SRF eligible costs per month.

Task 2: Preconstruction Phase

1. CONSULTANT shall perform reviews of construction drawings and specifications at varies levels of design, as directed by the CITY with focus on constructability of the project. (Note that the STU design is 100% completed). At a minimum, the CONSULTANT shall provide and log comments regarding the plans, specifications, and construction cost estimate in an Excel Workbook, provided by CITY. Comments should at a minimum include feedback on measurement and payment, sequencing, schedule, temporary facilities, constructability, and required contractor qualifications.
2. The City may assign milestone reviews of other projects in the preconstruction phase. Reviews shall determine the coordination required between the subject project and other projects for concurrent work and the constructability of other projects following the completion of the subject project. This work shall be tracked via a separate subtask.
3. The City may request the COMSULTANT to attend the pre-bid meeting. CONSULTANT shall assist the City with evaluation of construction bids to determine bid irregularities, if any. The successful bidder will be based on the lowest responsive and responsible bid.
4. Administration
 - a. CONSULTANT shall propose a project administration procedure, including an

online document tracking system, for CITY approval. The administration procedure will detail how the CONSULTANT will track, store, distribute, and manage digital and hardcopy correspondence and project documentation and strategy for managing project communications.

- b. CONSULTANT shall establish and maintain a health and safety plan specific for CONSULTANT's staff and subconsultants. Submit a copy for City's record. During construction activities, CONSULTANT shall follow CONTRACTOR(S)'s health and safety plan(s), if it is more stringent.
5. Field Office Setup
 - a. CONSULTANT shall organize the hardcopy and digital files for the project prior to commencement of construction and coordinate with the CITY and CONTRACTOR for office trailer set-up.
 - b. CITY will designate a location for the office trailer and provide utility connection points.
 - c. CONSULTANT will provide furnished office trailer, copier, phone/service, and internet access, unless otherwise provided by City.
 6. Preconstruction Activities
 - a. Site Walk Observations and Documentation
 - i. CONSULTANT will conduct preconstruction inspections, documenting conditions in a log and providing digital photographs and video(s).
 - b. Preconstruction Submittals
 - i. CONSULTANT to develop a list of CONTRACTOR pre-construction submittals.
 - ii. CONSULTANT to review CONTRACTOR's pre-construction submittals, schedule of values, and preliminary schedule.

Task 3: State Revolving Fund (SRF) Compliance

1. CONSULTANT shall prepare and package for submittal all required State Revolving Fund (SRF) documentation needed to obtain monthly SRF loan disbursements during the construction period. CITY will submit the documentation to the State.
2. CONSULTANT shall prepare and package for submittal Quarterly Construction reports and Annual SBE Report required for SRF compliance. Package shall include a narrative and photos of construction activities performed during the reporting period. CITY will submit the documentation to the State.
3. CONSULTANT shall document CONTRACTOR's compliance with all SRF requirements, including:
 - a. Project signage meeting SRF requirements
 - b. American Iron and Steel (AIS) requirements
 - c. Build America, Buy America (BABA) – if applicable to this project
 - d. Davis-Bacon Act compliance
 - i. CONSULTANT shall perform Davis-Bacon Wage Rate Interviews at intervals required by SRF, but not less than every time a new contractor, subcontractor, or trade begins work. Subsequent

interviews shall be required periodically based upon the CONSULTANT and CITY's assessment of Risk of Noncompliance.

- e. Disadvantaged Business Enterprise (DBE) certifications
 - f. Project Closeout forms
 - g. Certified payrolls
4. CONSULTANT shall maintain a submittal log of materials subject to AIS requirements and/or approved exemptions.
 5. CONSULTANT shall prepare and package for submittal Project Close Out Report required for SRF compliance. CITY will submit the documentation to the State.

Task 4: Construction Phase

1. Construction Administration

a. Project Coordination

- i. CONSULTANT shall act as the project coordinator and the point of contact for all communications with the CONTRACTOR. The CONSULTANT shall coordinate construction activities of the CITY, ENGINEER, and CONTRACTOR. CONSULTANT responsibilities include: conduct team meetings within the consulting firm to review progress, coordinate evaluations and identify information needs; disseminate information to the design team; manage the project budget; manage the project schedule; manage sub-consultants; manage QA / QC team; Coordinate communications with other ongoing projects' construction managers to facilitate the construction of ongoing projects and continuous Plant operations.
- ii. CONSULTANT shall provide a contact phone number to respond to issues related to construction activity or coordination, 24 hours a day, 7 days a week.

- b. Document Tracking System: CONSULTANT shall establish, implement and maintain an online system for tracking all correspondence and documents on the Project or shall adopt a project administration procedure previously approved by CITY. CONSULTANT shall incorporate within the tracking system the means to track the routing of submittals/RFIs to the CITY's other consultants.

- c. Construction Administration Services: CONSULTANT shall provide administrative and management services. The CONSULTANT shall receive all correspondence from the CONTRACTOR and address all inquiries from the CONTRACTOR and construction related correspondence. The ENGINEER will be responsible for providing design input.

2. Meetings:

- a. CONSULTANT shall prepare agenda for kick-off meeting, weekly progress meetings and other construction/technical meetings required during the term of the Project. CONSULTANT shall preside the meetings, address administrative and non-design issues, and prepare meeting minutes for distribution. CITY, ENGINEER and CONTRACTOR's team will attend the

meeting. The ENGINEER will address design issues. CONSULTANT shall have all pending decisions detailed for the meetings as well as project statistics (schedule updates, risks as identified by risk register, percent of project complete, near-term milestones, etc.).

- b. Anticipated Meetings
 - i. Construction kick-off meeting
 - ii. Weekly progress meetings
 - iii. As-needed technical meetings with CITY, ENGINEER, CONTRACTOR and manufacturer's representative(s) to resolve equipment and/or installation issues
 - iv. Minimum two (2) Electrical Service (Power Feed) Coordination Meeting with Palo Alto Electric Utilities (for LC11)
 - v. Project close-out Meeting
 - vi. Attend other concurrent projects' kickoff meetings
 - vii. Periodic coordination meetings with other ongoing projects' construction managers and the City
3. Submittals
 - a. CONSULTANT shall use the online document tracking system to log and coordinate the submittal process.
 - b. CONSULTANT shall receive the submittals, including CONTRACTOR's red-line drawings, from the CONTRACTOR and check the submittals for completeness and general conformity with the Construction Contract requirements. If obvious deficiencies are apparent in the submittal, the CONSULTANT shall reject and send the submittal back to the CONTRACTOR for correction.
 - c. CONSULTANT shall route the submittals to the ENGINEER for review and shall route the reviewed submittal back to the CONTRACTOR. The CONSULTANT shall review comments on the submittals to determine if additional follow-up with the CONTRACTOR and/or ENGINEER is warranted and to identify any scope changes.
 - d. CONSULTANT shall coordinate the ENGINEER's submittal review and the track the status of shop drawing resubmittals with the CONTRACTOR.
 - e. CONSULTANT shall review the submittals for progress schedule, temporary facilities, construction sequencing, conduit/pipe layout plan, manufacturer/applicator/installer's certificates, and other non-technical submittals.
 - f. CONSULTANT shall review temporary facilities submittals for operability as well as conflicts with other ongoing projects' active and/or proposed construction. The City may request CONSULTANT to review other ongoing projects' temporary facilities submittals for coordination logistics and constructability issues.
4. Request for Information/Clarification Process

- a. CONSULTANT shall utilize the online document tracking system for processing requests for design clarifications.
 - b. CONSULTANT shall receive all requests for information (RFIs) from the CONTRACTOR and determine if the request is a valid RFI;
 - i. If valid, ENGINEER will review the RFIs and provide design response. CONSULTANT shall review the ENGINEER's response, verify acceptability of response and transmit the Clarification Response to the CONTRACTOR.
 - ii. If not, CONSULTANT shall return the RFI to the CONTRACTOR with justifications.
 - c. CONSULTANT shall provide a response within 10 working days to the CONTRACTOR for any administrative, field condition specific and general RFI.
 - d. ENGINEER shall prepare Design Clarifications where design issues are identified by the CONSULTANT, ENGINEER, or CITY. CONSULTANT shall prepare the Clarification Letter for transmittal to the CONTRACTOR of the ENGINEER's Design Clarification and other clarifications.
 - e. CONSULTANT shall work with the CITY Project Manager to maintain an Error and Omission Log to document change orders, RFIs and RFCs that are a result of ENGINEER and CONTRACTOR errors in design and construction, respectively. The log shall record the hours spent by the ENGINEER to respond to the RFIs/ RFCs and associated cost impact to the construction. CITY may seek reimbursement from the ENGINEER and/or CONTRACTOR.
5. Change Order Preparation, Negotiation & Processing
- a. CONSULTANT shall review all change order requests (either initiated by the CITY or by the CONTRACTOR).
 - i. CONSULTANT shall utilize the online document tracking system to log, track, and process changes.
 - ii. CONSULTANT shall maintain Change Event files. These files shall compile all data related to specific items that arise that may have cost or time impacts or neither.
 - b. CONSULTANT shall judge the validity and/or merits of all CONTRACTOR initiated change order requests. CONTRACTOR initiated change orders deemed unnecessary, or not substantiated by a deficiency in the construction documents shall be returned to CONTRACTOR unapproved with an explanation.
 - c. CONSULTANT shall negotiate change orders with the CONTRACTOR, considering impact to the schedule, as well as, reasonableness of cost, and impact to total project budget. CONSULTANT shall provide updates regarding potential cost and schedule changes to CITY.
 - d. CONSULTANT shall prepare an independent cost estimate and/or verify the acceptability of the CONTRACTOR's cost proposal for each approved

- change request. At CITY's discretion, ENGINEER's opinion may be requested for specific equipment and material costs.
- e. CONSULTANT shall prepare change orders using CITY's procedure for execution by the CITY and CONTRACTOR.
 - i. CONSULTANT shall prepare a Change Order Memorandum, if requested by the CITY, to provide additional background discussion for need of the change and reasonableness of cost and schedule impact.
 - ii. ENGINEER shall prepare design details for change requests as needed. CONSULTANT to coordinate schedule and distribution of design details.
 - iii. CONSULTANT shall prepare, and issue approved change order requests to the CONTRACTOR with the appropriate design documents as directed by the CITY.
 - f. In the event the CONTRACTOR encounters a time sensitive problem where time is not available to negotiate a settlement, CONSULTANT shall issue a field order in accordance with the City's procedures.
 - i. All work done under a field order will be completed on a time and material basis. CONSULTANT to track actual time and material expended for the field order work.
 - ii. Field orders shall be reviewed and approved with the CITY prior to issuance.
6. Documentation of Environmental Compliance
- a. CONSULTANT shall document compliance with environmental permitting and mitigation measures in accordance with the requirements of the environmental documents and regulatory permits.
7. Progress Payment
- a. CONSULTANT shall review the initial schedule of values (cost breakdown) prepared by the CONTRACTOR and generate a progress payment request form for the CONTRACTOR's use which is compatible with the SRF CONTRACTOR Spreadsheet (Form No. 259) and acceptable to SRF, Financial Assistance Division.
 - b. CONSULTANT shall review and process the progress payment requests and determine whether the amount requested reflects the actual status of the Contractor's work in place, materials on site and other contract requirements.
 - c. CONSULTANT shall perform the appropriate administration, preparation and processing of the monthly progress payments so the CITY can respond in accordance with the time periods set forth in the Public ContractCode.
 - d. CONSULTANT shall prepare the summary cover sheet for the progress payments which will be executed by CONSULTANT, CONTRACTOR and CITY.

- e. CONSULTANT shall not recommend final payment to the CONTRACTOR until the CONSULTANT has determined CONTRACTOR has complied with the project closeout requirements, including submittals of record documents, warranties, and operations and maintenance manuals. CITY will release the retention only after a Notice of Completion has been recorded with the Santa Clara County Clerk's Recorder Office.
 - f. CONSULTANT shall work with Contractor to develop an estimate of contractor's anticipated monthly pay request (billing/invoicing) schedule for the entire duration of the construction phase. The estimate shall be updated quarterly. The information will be used by the City for financial and cash flow analyses.
8. CONTRACTOR's Certified Payroll
- a. On a bi-weekly basis, or when otherwise requested by the CITY, State, or other agency or public inquiry, the CONSULTANT shall collect certified payrolls from the CONTRACTOR. Apart from the regular, bi-weekly collection, the CONSULTANT shall obtain payroll records within 10 days of the CITY's request.
 - b. CONTRACTOR is responsible for submitting electronically their certified payroll records to the State Department of Industrial Relations.
 - c. CONSULTANT shall be responsible for documenting and conducting interviews of the CONTRACTOR's field staff/crew for compliance with CITY prevailing wage ordinance and SRF requirements (SF-1445).
9. Schedule
- a. CONSULTANT shall review CONTRACTOR's initial Baseline schedule submittal to determine whether it is realistic and prepared in accordance with the Contract Documents, that the milestone and Substantial Completion dates meet the overall goal for schedule and that no major conflicts exist. The CONSULTANT shall advise CITY of the review determination and provide written comments to the CONTRACTOR.
 - b. CONSULTANT shall review the CONTRACTOR's schedule updates and provide written comments to the CONTRACTOR.
 - c. CONSULTANT shall review and evaluate the CONTRACTOR's requests for Contract time extension and/or monetary claim, and make written recommendations to the CITY regarding entitlement and the number of days, if any, to be added to the Contract Time(s). If requested by the CITY, CONSULTANT shall provide a written assessment of the time request. CONSULTANT shall evaluate and negotiate schedule adjustments with the CONTRACTOR.
10. Field Quality Control (Inspection Services)
- a. CONSULTANT shall provide field observation services to monitor compliance with the Contract Documents.
 - i. CONSULTANT staff shall have sufficient training and experience

regarding the specific construction activities being performed by CONTRACTOR.

- 1) CONSULTANT shall provide staffing at a level that match construction load and as required to observe CONTRACTOR's activities.
- 2) CONSULTANT shall provide subconsultant(s) as needed to observe specialty work or conduct specialty tests (see Special Inspections).
- 3) CITY may set an allowance on a task order specific basis for the *increased cost only* of inspectional services if required during off hours and on weekends. Consultant to provide sufficient hours to cover all inspectional services anticipated at standard rates.

b. Reporting

- i. CONSULTANT shall prepare daily inspection reports documenting observed field activities, field crews, CONTRACTOR equipment, and field problems. CONSULTANT shall collect and compile CONTRACTOR daily reports. Such information shall be accessible by the City.
- ii. CONSULTANT shall provide and maintain photographs of field activities for status monitoring of the project.
- iii. CONSULTANT shall monitor record documents (redline drawings) on a bi-weekly basis to determine if they are being maintained by the CONTRACTOR and are in substantial conformance with the CONSULTANT's information/observations.
- iv. CONSULTANT shall prepare a monthly report to include major work performed, outstanding issues, project photographs, schedule status, pending and executed change orders summary, and quality issues. This report shall also be part of CONSULTANT's monthly progress payment report.

c. Special Inspections

- i. CONSULTANT shall furnish the materials testing and special inspections required to be performed for the Project. Special Inspection and materials testing include, but not limited to:
 - 1) Soils testing for HazMat compliance
 - 2) Soils compaction and relevant testing
 - 3) Asphalt compaction and relevant testing
 - 4) Concrete sampling and testing
 - 5) Structural steel welding
 - 6) Coating inspection
 - 7) Special inspections as listed in the project specific design drawings and specs.

It should be noted that the foundation pile installation

observation special inspections will be performed by the Geotechnical Engineer (retained by the ENGINEER) on this project. CONSULTANT only needs to coordinate this effort with the City Project Manager.

- ii. CONSULTANT shall schedule and coordinate the material testing services and have responsibility for the specialty inspections and testing services.
11. System Outages
- a. CONSULTANT shall review and evaluate the CONTRACTOR's system outage requests (SOR) in conjunction with the CITY. CONSULTANT shall assess the reasonableness of the duration of the requested shutdown.
 - b. The SORs shall be reviewed and approved at least two weeks ahead of the actual outage/shutdown.
 - c. CONSULTANT shall facilitate/coordinate shutdowns with the CONTRACTOR, CITY and ENGINEER.
 - i. CITY is responsible for reviewing and approving system outage request and duration, confirming the outage is properly planned, implementing the outage, and bringing services back online after the outage.
12. Means and Methods of Construction
- a. CONSULTANT shall not direct the means and methods of construction. CONTRACTOR shall be solely responsible for the means and methods of construction. In the event when the CONTRACTOR's means and methods and/or work sequence are perceived to have negative impacts on the final work quality or may damage existing City's property, the CONSULTANT shall communicate with the CONTRACTOR and inform the CITY and ENGINEER.
13. Construction Staging and laydown Area
- CONSULTANT shall periodically observe the construction staging and laydown areas to check if:
- a. Equipment and materials are being stored in accordance with the manufacturers' procedure (e.g., protection from weathering elements).
 - b. Exiting plant equipment (e.g., electrical switchgear) are being protected.
 - c. Heavy loads are not concentrated at or adjacent to locations where underground utility (s) is present.
14. Safety
- a. CONSULTANT shall comply with appropriate regulatory, project and CITY codes in addition to CONSULTANT's Health and Safety Plan regarding necessary safety equipment and procedures used during performance of the CONSULTANT's work and shall take necessary precautions for safe operation of the CONSULTANT's work, and the protection of the CONSULTANT's personnel from injury and damage from such work.
 - b. Neither the professional activities of the CONSULTANT, nor the presence of

the CONSULTANT's employees or sub-consultants at the construction/project site, shall relieve the CONTRACTOR and any other entity of their obligations, duties and responsibilities including, but not limited to, construction means, methods, sequence, techniques or procedures necessary for performing, superintending, or coordinating their work in accordance with the Contract Documents, City codes, and any health or safety precautions required by pertinent regulatory agencies. CONSULTANT and its personnel have no authority to exercise any control over any CONTRACTOR or other entity or their employees in connection with their work or any health or safety precautions.

15. Spare Parts

- a. Based on the specifications and vendor O&M Manuals, CONSULTANT shall prepare a consolidated/complete list of required spare parts in Excel.
- b. CONSULTANT shall inventory spare parts as they are delivered by the CONTRACTOR and transferred to the CITY. The transfer of part shall be documented via material transmittal, signed by Contractor, CONSULTANT and CITY.

16. Operation and Maintenance (O&M) Manuals

- a. CONSULTANT shall prepare a list of anticipated O&M Manuals and track the submittal and review process in the online document tracking system.
- b. CONSULTANT shall verify that the submitted O&M manuals are the correct and latest version, and that the 'lessons learned' and notes taken during startup and commissioning are included in the O&M manuals. CONSULTANT shall coordinate delivery of final hardcopies and electronic copy from the CONTRACTOR to CITY.

17. Testing and Training

- a. CONSULTANT shall coordinate and oversee manufacturer/vendor provided testing/startup/commissioning activities and training sessions.
- b. ENGINEER shall provide technical assistance associated with the design intent during testing/startup/commissioning operations.
- c. CONTRACTOR shall develop and submit a Testing and Startup Plan. CONSULTANT shall work with CONTRACTOR, ENGINEER and CITY on the review and revision of the Testing and Startup Plan.
- d. CONSULTANT shall observe start-up and testing as the CITY's representative and maintain copies of start-up documentation in an organized binder (and scanned electronic copy) that shall be turned over at the end of the project.
- e. CONSULTANT shall coordinate the training with the CONTRACTOR, vendor and CITY staff. Some equipment may need training for third party personnel with whom the CITY may be contracting with. CITY will provide the vendor contact information for CONSULTANT to coordinate with.

- Trainings shall be coordinated so that key CITY staff can attend; schedule shall accommodate key CITY staff/ Plant operations shifts. Multiple training sessions for day shift and night shift operators may be required.
- f. CONSULTANT shall attend training sessions and collect attendance sheets and copies of training material.
 - g. If required by CITY, CONSULTANT shall coordinate production quality audio and video recording and editing of training sessions to be used for future training sessions. The final digital copy shall be labeled and have an introduction that indicates the type of training, the process area, the equipment name, the vendor(s) / manufacturer(s) if applicable, the date, and the CONTRACTOR.
 - h. Refer to the CITY's Demonstration and Training Standards for more details.

18. Corrective Work Item List

- a. The CONSULTANT shall prepare and maintain a Corrective Work Item list (CWL) with the input from the CITY and ENGINEER.
- b. CONSULTANT shall confirm that the items identified in the CWL are completed in preparation for issuance of Substantial Completion Certificate (SCC).
- c. CONSULTANT shall prepare the SCC for execution by the CITY and the CONTRACTOR when the Corrective Work Items are completed to the CITY's, ENGINEER's and The CONSULTANT's satisfaction.

E. Task 5: Project Closeout Phase

1. Punch List and Final Inspection
 - a. Punch List
 - i. CONSULTANT shall identify work with outstanding deficiencies and generate Punch List in Excel. Coordinate site walkthrough with the CITY and CONTRACTOR, as needed.
 - ii. CONSULTANT shall have primary responsibility for verifying that the Punch List work is complete.
 - b. Final Inspection
 - i. CONSULTANT shall have primary responsibility for conducting the final inspection. Coordinate site walkthrough with the CITY and CONTRACTOR, as needed.
 - 1) CITY will participate and provide input on the final inspection.
 - 2) ENGINEER will provide design input on final inspection items if determined necessary by the CITY.
2. Warranty Coordination
 - a. CONSULTANT shall maintain a warranty file in the online document tracking system. All warranty documentation shall be handed off to the CITY at conclusion of the contract.

3. Project Closeout
 - a. CONTRACTOR shall furnish record documents, which the CONSULTANT shall review and transmit to ENGINEER for preparation of record drawings.
 - b. CONSULTANT shall prepare necessary CITY documentation recommending acceptance of the completed work by the CITY.
 - c. CONSULTANT shall turnover project documentation to the CITY in an orderly manner and in a timely manner after completion of the project and all punch list activities. The CONSULTANT shall retain all change event files at the end of the project. The CITY shall have the right to request review and/or copies of the change events files.

Work Order No. 3: Milestone Schedule Of Performance

TASK #	MILESTONES	NUMBER OF WEEKS TO COMPLETION FROM WORK ORDER #1 NOTICE TO PROCEED (NTP)
Task 1	General Requirements	276 Weeks
Task 2	Pre-Construction	10 Weeks
Task 3	SRF Compliance	276 Weeks
Task 4	Construction Phase	263 Weeks
Task 5	Project Closeout	276 Weeks

Work Order No. 3: Milestone Compensation Schedule

TASK #	MILESTONES	NOT TO EXCEED AMOUNT
Task 1	General Requirements	\$137,470
Task 2	Pre-Construction	\$41,200
Task 3	SRF Compliance	\$241,310
Task 4	Construction Phase	\$6,870,421
Task 5	Project Closeout	\$47,800
	Inspection Allowance	\$150,000
Sub-total Basic Services		\$7,488,201
Reimbursable Expenses		\$0
Total Basic Services and Reimbursable Expenses		\$7,488,201
Additional Services (per Section 4) (Not to Exceed)		\$748,820
Maximum Total Compensation		\$8,237,021

EXHIBIT "B"
SCHEDULE OF PERFORMANCE, AMENDMENT NO. 2
(AMENDED, REPLACES PREVIOUS)

Optional Schedule of Performance Provision for On-Call or Additional Services Agreements.
(This provision only applies if checked and only applies to on-call agreements per Section 1 or agreements with Additional Services per Section 4.)

The schedule of performance shall be as provided in the approved Task Order, as detailed in Section 1 (Scope of Services) in the case of on-call Services, or as detailed in Section 4 in the case of Additional Services, provided in all cases that the schedule of performance shall fall within the term as provided in Section 2 (Term) of this Agreement.

WORK ORDER #2

Tasks 1-5 completed within 125 Weeks from the Notice to Proceed for Work Order 2, as detailed in the Milestone Schedule of Performance attached to Work Order #2.

WORK ORDER #3

Tasks 1-5 completed within 276 Weeks from the Notice to Proceed for Work Order 3, as detailed in the Milestone Schedule of Performance attached to Work Order #3.

EXHIBIT "C"
COMPENSATION, AMENDMENT #2
(AMENDED, REPLACES PREVIOUS)

CITY agrees to compensate CONSULTANT for on-call, as-needed, time-limited project support services performed in accordance with the terms and conditions of this Agreement, and as set forth in a specific Task Order budget schedule. Compensation shall be calculated based on the rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task set forth in a specific Task Order.

CITY's Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories within a specific Task Order, provided that the total compensation for the Services, including any specified reimbursable expenses, and the total compensation for Additional Services (if any, per Section 4 of the Agreement) do not exceed the amounts set forth in Section 4 of this Agreement.

CONSULTANT agrees to complete all Services, any specified reimbursable expenses, and Additional Services (if any, per Section 4), within this/these amount(s). Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth in this Agreement shall be at no cost to the CITY.

REIMBURSABLE EXPENSES

CONSULTANT'S ordinary business expenses, such as administrative, overhead, administrative support time/overtime, information systems, software and hardware, photocopying, telecommunications (telephone, internet), in-house printing, insurance and other ordinary business expenses, are included within the scope of payment for Services and are not reimbursable expenses hereunder.

Reimbursable expenses, if any are specified as reimbursable under this section, will be reimbursed at actual cost. The expenses (by type, e.g. travel) for which CONSULTANT will be reimbursed are: NONE up to the not-to-exceed amount of \$0.00.

WORK ORDER #2

Compensation as detailed in the Milestone Compensation Schedule attached to Work Order #2., Not to Exceed:

Total Basic Services and Reimbursable Expenses	\$549,315
Additional Services (per Section 4) (Not to Exceed)	\$54,932
Maximum Total Compensation	\$604,247

WORK ORDER #3

Compensation as detailed in the Milestone Compensation Schedule attached to Work Order #3., Not to Exceed:

Total Basic Services and Reimbursable Expenses	\$7,488,201
Additional Services (per Section 4) (Not to Exceed)	\$748,820
Maximum Total Compensation	\$8,237,021

Resolution No. #####

Resolution of the Council of the City of Palo Alto Authorizing the Reimbursement of Funding for the Regional Water Quality Control Plant Secondary Treatment Upgrades from the State Water Resource Control Board

RECITALS

A. The City of Palo Alto (the "City") desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water and wastewater system, including certain treatment facilities, pipelines and other infrastructure (the "Project").

B. The City intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board).

C. The State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations").

D. Prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the City desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the City.

E. The City has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary for the State Water Board to reimburse the City for the Expenditures from the proceeds of the Obligations.

F. On March 1, 2021, the City Council adopted Resolution No. 9945 authorizing reimbursement of funding for the Regional Water Quality Control Plant Secondary Treatment Upgrades with a reasonably expected maximum principal amount of \$169 million.

G. The City published an invitation for bids for the construction contract for Project from July 21, 2022 to October 6, 2022 and received base bids ranging from \$161.8 million to \$167.5 million, approximately 36% higher than the Engineer's estimate of \$118.7 million.

H. The City now wishes to amend Resolution No. 9945 and adopt this Resolution

increasing the reasonably expected maximum principal amount to \$193 million to reflect the higher-than-anticipated construction costs, as well as contingency and construction management, and associated planning and design costs.

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The City hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

SECTION 2. The City hereby amends Resolution No. 9945 to increase the reasonably expected maximum principal amount of the total Project, including associated planning and design costs, to \$193 million.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the City will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, the City is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This resolution is adopted as official intent of the City in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and this City so finds, determines and represents.

SECTION 8. The Council finds that its authorization of funding reimbursement does not constitute a project requiring review under the California Environmental Quality Act (CEQA) or CEQA Guidelines. This action does not meet the definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTI

ONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Senior Deputy City Attorney

City Manager

Director of Public Works

Bid Summary

Secondary Treatment Upgrades (STU) Project
Invitation for Bids (IFB) Number: 185822
City of Palo Alto Public Works Department, RWQCP
CIP WQ-19001

BIDDER	Bid Price	Remarks	% Over Estimate
Anderson Pacific Engineering Construction, Inc. (APEC)	\$ 161,846,500	Low Bidder	36.34%
Kiewit Infrastructure West	\$ 166,240,500		40.04%
Flatiron West	\$ 167,518,500		41.12%
Engineer's Estimate	\$ 118,707,335		0.00%

Attachment: Attachment G - Bid Summary (14918 : RWQCP Secondary Treatment Upgrades Project Review)



City of Palo Alto

Finance Committee Staff Report

(ID # 14872)

Meeting Date: 11/15/2022

Report Type:

Title: Staff and the Utility Advisory Commission Recommend that the Finance Committee Recommend the City Council Adopt a Resolution Amending the E-HRA (Electric Hydro Rate Adjuster) Rate Schedule, Increasing the Current E-HRA Rate to \$0.026/kwWh Effective January 1, 2023

From: City Manager

Lead Department: Utilities

Recommended Motion

Staff and the Utilities Advisory Commission (UAC) recommend that the Finance Committee recommend the City Council adopt a resolution amending the Electric Hydro Rate Adjuster (E-HRA), effective January 1, 2023, to reflect current hydrological conditions and market purchase costs. This would double the existing E-HRA surcharges and discounts across all levels, increasing the current E-HRA rate from \$0.013/kwh to \$0.026/kwh.

Executive Summary

Power available to the City of Palo Alto from hydroelectric resources is reduced due to the ongoing drought. Reduced hydro output has resulted in increased demand for market power resources which is largely comprised of gas-fired generation. The increase in demand combined with high fossil fuel prices caused by unstable socio-political conditions has resulted in power prices that are nearly double the values used to calculate the existing E-HRA surcharge. Hydro Stabilization Reserves (HSR) have been exhausted, and Operations Reserves are being negatively impacted by ongoing higher costs.

Staff recommends increasing the E-HRA from \$0.013/kWh to \$0.026/kWh to reflect current market costs and continued drought conditions. This change will double the existing E-HRA surcharges and discounts across all adjustment levels, and fund Operations reserve levels above the minimum guidelines if market prices remain in the forecasted range during the fiscal year. The E-HRA rate creates a temporary rate increase. When triggered, the proposed E-HRA increase is approximately a 7% or \$6.37 increase for a median electric residential customer, which remains 45% below a comparable PG&E customer.

Background

The City has access to a large amount of relatively low-cost, carbon free hydroelectric generation to meet its electric supply needs. Whereas hydroelectric generation supplies about

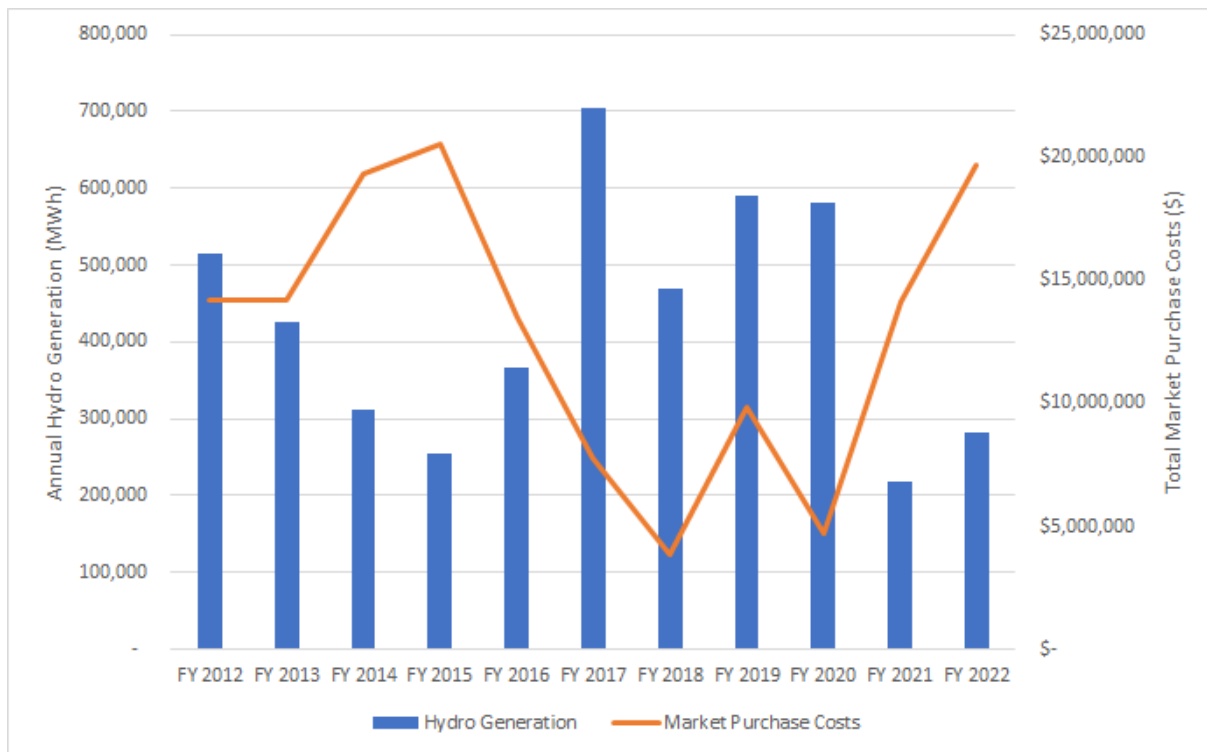
10% of the overall electric supply for California, the City meets about 50% of its electric supply needs with hydro generation in an average year.

The drawback to maintaining such a heavy reliance on hydroelectric generation is that the output of these resources is highly sensitive to weather conditions. Although the City receives about 50% of its electric supplies from its hydroelectric resources in a “normal” weather year, that amount can fall to as low as 20% in extremely dry years. And unlike many of the City’s supply contracts, where the cost of the resource is proportional to the amount of generation delivered, the City essentially pays a fixed amount every year for the output of its two hydroelectric resources (Western Base Resource and the Calaveras project) regardless of the amount of electricity they produce.

The City purchases additional supply resources (generic market power and, to comply with the Carbon Neutral Plan, renewable energy certificates, or RECs) to make up for the reduced hydroelectric output in these dry years. Compounding the problem, market power prices are often higher in dry years, when the City must purchase more, because the entire state is experiencing reduced hydro supply conditions. Market prices are influenced by inflation, weather, alternative fuel costs, and global supply and demand.

Figure 1, below, illustrates this relationship between the City’s annual market purchase costs and the amount of hydroelectric generation it receives.

Figure 1: Annual Hydro Generation vs. Market Purchase Costs (2012-2022)



In 2005, when a new “Contract for Electric Service-Base Resource” with the Western Area Power Administration (Western or WAPA) increased the City’s exposure to hydro variability, Council adopted a policy of maintaining reserves, combined with “laddered” market purchases, to manage this variability¹.

In 2018, Council adopted the E-HRA mechanism ([CMR 8962](#)²) to manage the financial impacts of the annual variability in production of the City’s hydroelectric resource. The E-HRA and the HSR are used to stabilize electric rates when hydrological conditions are either poor, as is currently the case, or exceptionally good, and activation of the E-HRA is based on staff’s evaluation of hydro generation availability and the HS Reserve level. When the HS Reserve falls below 25% of its maximum (\$11 million) and hydro generation is projected to be below normal through the end of the current fiscal year, the E-HRA surcharge is applied. The resulting revenues are used to fund the additional short-term costs of providing electric service. When drought conditions subside and/or HS Reserves are within guideline ranges, the surcharge can be de-activated and standard rates can resume.

In 2018, staff developed the E-HRA mechanism utilizing a 20-year simulation model, estimating reserve needs under periods of both above average hydro generation as well as periods of extended drought. The model estimated high market prices during periods of drought using generation prices that were high at the time, about \$47/MWh. As market costs have increased above this level, staff recommends amending the HRA structure to update energy prices to reflect current conditions. The model’s generation levels remain valid.

The E-HRA rate creates either a temporary 4% rate increase (at the \$0.0065/kWh level) or an 8% increase (at the \$0.013/kWh level)³. The proposed E-HRA increase of \$0.013/kWh (from \$0.013 to \$0.026) is approximately a 7% or \$6.37 increase for a median electric residential customer which remains 45% below a comparable PG&E customer.

In March 2022, in response to rapidly worsening drought conditions in California, Council adopted changes to the E-HRA surcharge ([CMR 13905](#)⁴), broadening the conditions under which the rate could be utilized and activating the rate effective April 1, 2022. This was done to help lower longer-term average rates, as well as help maintain general reserve health.

Discussion

¹ As described in Palo Alto’s current Long-term Electric Acquisition Plan (LEAP) Objectives and Strategies: <https://www.cityofpaloalto.org/files/assets/public/environment-in-palo-alto/energy-compost-facility-consideration/leap-objectives-and-strategies-april-2012.pdf>

² https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/final-staff-report-id-8962_hydroelectric-rate-adjustment-mechanism-adoption.pdf

³ For the median Palo Alto household, which consumes approximately 490 kWh/month, rate adjustments of 0.65 ¢/kWh, 1.3 ¢/kWh, and 1.8 ¢/kWh equate to monthly bill impacts of \$3.19, \$6.37, and \$8.82, respectively.

⁴ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220314/20220314pccsm-amended-final-revised-ppt.pdf>

The City receives power from two hydroelectric projects, the Calaveras project and the Western Base Resource contract for Federal hydropower from the Central Valley Project.⁵ The watershed for Western hydropower is primarily in the northern end of California, while the watershed for the Calaveras project is in the Central Sierras.

Power from these sources is reduced under continued drought conditions. For water year 2020-2021 (October 2020 to September 2021), total precipitation was just below 50% of average in both watersheds. For water year 2021-2022, total precipitation was about 80% of average in Northern California and about 63% of average in the Central Sierras. As shown in Table 1 total actual hydropower for FY 2021 was 295 GWh, which is 183 GWh (38%) below the long-term average, and total actual hydropower for FY 2022 was 230 GWh, which is 250 GWh (52%) below the long-term average.⁶

Table 1: Hydro Generation FY 2021-22 Actuals (GWh)

Hydro Generation	FY 2021	FY 2022
Calaveras Actuals	49	61
Western Actuals	246	169
Total Hydro Generation	295	230
Long-term Average Total (%)	61%	48%
Long-term Average Total Hydro	481	481

Reservoir levels remain very low across Northern and Central California. Most reservoirs are 30-50% below their average levels for this time of year. As a result, Palo Alto's hydroelectric projections are approximately 275 GWh for this fiscal year, which is about 57% of the long-term average level of hydro output, and 377 GWh for FY 2024, which is 78% of the long-term average level.

When Council activated at the \$0.013/kwh level effective April 1, 2022, projected hydro output was about 310 GWh/year and HSR funds were projected to be drawn below \$11 million⁷ by the end of FY 2022. Market prices are now around \$93/MWh, or roughly double the price used to estimate the existing E-HRA rates. Actual power supply costs for FY 2022 were about \$16 million more than the adopted budget, and FY 2023 costs are higher than expected. As a result, in June 2022, staff requested a \$15 million transfer of HSR funds to the Operations Reserve to

⁵ The Calaveras project is a hydropower project located in Calaveras County that is maintained and operated by the Northern California Power Agency on behalf of the City and other project participants. The City is also one of several public entities with contracts with the Western Area Power Administration for "Base Resource" electricity, which is the hydroelectric power available from the Federal Government's Central Valley Project (operated by the Bureau of Reclamation) after accounting for power used for Central Valley Project operations and power delivered to certain "preference" customers.

⁶ The long-term average forecast levels for both Western and Calaveras have been revised downward (about 10% each) in recent years to reflect the impact of climate change. These values may need to be revisited again in the coming years.

⁷ When the HS Reserve level falls below 25% of its maximum, or \$11 million, the E-HRA can be activated if projected hydro generation is also below 480 GWh/yr

offset costs in FY 2022. The E-HRA rate offset \$1.5 million of higher costs that remained after the \$15 million HS Reserve transfer. \$400,000 remains in the Hydro Stabilization Reserve.

While the FY 2022 Annual Comprehensive Financial Report is still being reviewed by auditors, the current ending balance for the Supply Operations Reserve is approximately \$22.2 million. This is about \$3.3 million above the Council-adopted minimum guideline levels for FY 2023⁸. Current projections are that purchase costs will be \$9 million higher than projected in the FY 2023 Financial Plan, which will bring the Operations Reserve well below minimum by the end of FY 2023. Amending the E-HRA rate is projected to generate an additional \$5 million in E-HRA revenues and keep the Supply Operations Reserve above minimum, as shown in Table 2 below:

Table 2: Projected FY 2023 Supply Operations Reserve Balances (Million \$'s)

	FY 2023 Financial Plan	Current Projections
Beginning Supply Operations Reserve Balance	33,046	22,197
Net Fund Revenues/(Expenses)	927	927
Additional Purchase Cost	N/A	(9,000)
Proposed Additional E-HRA Revenue	N/A	5,000
Ending Supply Operations Reserve Balance	34,973	19,124
Supply Operations Reserve Minimum Guideline	18,843	18,843

Based on the current sales trends for FY 2023, staff estimates the existing \$0.013/kwh adjuster will generate \$10.25 million in the Electric Fund in FY 2023, as projected in the FY 2023 Financial Plan. Doubling the E-HRA rate as shown in Table 4 is projected to bring the Electric Fund approximately \$5 million in additional revenues in FY 2023 assuming an effective date of January 1, 2023. If purchase power costs increase further, however, Supply Operations Reserves may still drop below minimum guideline levels.

Table 3: Current Hydro Rate Adjustments (\$/kWh)

Hydro Stabilization Reserve Level	Projected Hydro Generation vs. Average Hydro Generation (GWh/year)			
	Less than 319	319 to 480	480 to 642	Over 642
Above Maximum (>\$35 million)	\$-	\$(0.0065)	\$(0.0065)	\$(0.018)
75% to 100% (\$27 to \$35 million)	\$-	\$-	\$(0.0065)	\$(0.013)
25% to 75% (\$11 to \$27 million)	\$-	\$-	\$-	\$-

⁸ FY 2023 Electric Financial Plan, adopted June 13, 2022, CMR 13661:

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-councilagendas-minutes/2022/20220613/20220613pccsm-final-amended-linked.pdf>

25% and below (<\$11 million)	\$0.013	\$0.0065	\$-	\$-
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Table 4: Proposed Hydro Rate Adjustments (\$/kWh)

Hydro Stabilization Reserve Level	Projected Hydro Generation vs. Average Hydro Generation (GWh/year)			
	Less than 319	319 to 480	480 to 642	Over 642
Above Maximum (>\$35 million)	\$-	\$(0.013)	\$(0.013)	\$(0.036)
75% to 100% (\$27 to \$35 million)	\$-	\$-	\$(0.013)	\$(0.026)
25% to 75% (\$11 to \$27 million)	\$-	\$-	\$-	\$-
25% and below (<\$11 million)	\$0.026	\$0.013	\$-	\$-

The alternative to increasing the E-HRA surcharge is implementing a general rate increase. Utilizing the E-HRA is a targeted way to mitigate the impacts of hydro generation and supply cost fluctuations. When conditions stabilize, the E-HRA can be quickly be amended, leaving the base rates intact. If higher market conditions persist or appear to be a ‘new normal’, or larger long-term reserves are needed, general rates can be increased at the next fiscal year and the E-HRA brought to zero as additional revenue recovery is not needed.

Resource Impact

Based on the current sales trends for FY 2023, the estimated revenue impacts for the existing \$0.013/kwh adjuster would be an increase of \$10.25 million in the Electric Fund in FY 2023. With the recommendation, annual revenues would double to \$20.5 million, or an additional \$5.12 million for the latter half of FY 2023. The City is a utility customer so rate increases will also result in City expense increases. Resource impacts to City departments and funds of the recommended rate adjustments will be reflected in the midyear budget process.

Policy Implications

The proposed Electric Hydro Rate Adjuster (E-HRA) rate amendment is consistent with Council-adopted Reserve Management Practices that are part of the adopted 2023 Electric Financial Plans.

Stakeholder Engagement

The UAC heard staff’s request at its November 2, 2022 meeting. At that meeting, the UAC agreed that, given the escalating costs of purchasing electricity, that the rate increase was prudent. The UAC approved Staff’s motion unanimously.

Given the need to implement this rate quickly and avoid further net revenue loss and prevent

falling below minimum reserve guidelines, Council is scheduled to consider these amendments in December 2022.

Environmental Review

The Finance Committee's review of the attached amendment to the E-HRA rate does not meet the California Environmental Quality Act's definition of a project, pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(4) and (5), because it is a governmental fiscal and administrative activity which will not cause a direct or indirect physical change in the environment.

Attachments:

- Attachment A: Resolution Amending the Electric Hydro Rate Adjuster (E-HRA)
- Attachment B: Proposed Electric Hydro Rate Adjuster (E-HRA)

Resolution No. ____
 Resolution of the Council of the City of Palo Alto Amending Electric
 Rate Schedule E-HRA (Electric Hydro Rate Adjuster), Increasing the
 Current E-HRA Rate to \$0.026/kWh Effective January 1, 2023

R E C I T A L S

- A. Hydroelectric Rate Adjustment mechanisms are designed to modify customer rates, either up or down, such that overall sales revenue is aligned with supply costs for the electric utility.
- B. Hydroelectric Rate Adjustment mechanisms are intended to enable the electric utility to maintain a reasonably stable level of financial reserves, and maintain base electric rates at lower levels over the long term.
- C. In 2018, staff developed the E-HRA rate mechanism utilizing a 20-year simulation model, estimating reserve needs under periods of both above average hydro generation as well as periods of extended drought. The model estimated high market prices during periods of drought using generation prices that were high at the time, about \$47/MWh. Since then, multi-year drought conditions, rising inflation, increased market costs for alternative fuels and uncertainty in natural gas markets have nearly doubled the market costs for electricity. The existing E-HRA rate is no longer collecting enough revenue to adequately offset required market purchases.
- D. Section D(2)(a) of the Council-adopted E-HRA Rate Schedule directs staff to calculate the Hydro Rate Adjustment annually in May. E-HRA activation may also occur at other times throughout the year, such as when hydrologic conditions are poor and Hydroelectric Stabilization Reserve levels are projected to fall below the 25% level within the current fiscal year.
- E. Therefore, staff recommends the Council modify the E-HRA rate schedule to reflect updated market supply costs and hydrologic conditions, and mitigate Operations Reserve impacts.
- F. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

The Council of the City of Palo Alto hereby RESOLVES as follows:

//

SECTION 5. The Council finds that the adoption of this resolution changing electric rates to meet operating expenses and meet financial reserve needs is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Utilities

Director of Administrative Services

Attachment: Attachment A: Resolution Amending the Electric Hydro Rate Adjuster (E-HRA) (14872 : Hydro Rate Adjuster Update)

ELECTRIC HYDRO RATE ADJUSTER

UTILITY RATE SCHEDULE E-HRA

A. APPLICABILITY:

This schedule applies to all Customers receiving Electric Service from the City of Palo Alto Utilities.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides Electric Service.

C. RATES:

Per kWh

Hydro Rate Adjustment:(\$0.03~~618~~) - \$0.02~~613~~

D. SPECIAL NOTES:

1. Hydro Rate Adjustment

- a. The Hydro Rate Adjustment is a surcharge or discount applied to Electric rates based on the strength of the City’s hydrological generation portfolio, applied to manage volatility in energy costs and generation and the impact of that volatility on customer rates.
- b. The Hydro Rate Adjustment is determined based on the level of funding in the Hydro Stabilization Reserve, including transfers or withdrawals projected to be made in the current fiscal year according to the City’s Electric Utility Reserve Management Practices, and on the forecasted amount of annual generation the City of Palo Alto Utilities will receive from its hydroelectric generation resources through the end of the current fiscal year.

2. Calculation of Hydro Rate Adjustment

- a. Staff calculates the Hydro Rate Adjustment surcharge or discount annually in May, or whenever hydrologic conditions are poor and Hydro Stabilization Reserves are projected to fall below the 25% level within the current fiscal year.
- b. The Hydro Rate Adjustment will be applied to all Customers’ Electric rate schedules upon Council approval, and re-evaluated annually.
- c. The Hydro Rate Adjustment surcharge or discount will fall within the minimum/maximum range set forth in Section C, and will be applied as follows:

CITY OF PALO ALTO UTILITIES

Issued by the City Council



ELECTRIC HYDRO RATE ADJUSTER

UTILITY RATE SCHEDULE E-HRA

Hydro Rate Adjustment (\$/kWh)

Hydro Stabilization Reserve Level	Projected Hydro Generation vs. Average Hydro Generation (GWh/year)			
	Less than 319	319 to 480	480 to 642	Over 642
Above Maximum	\$-	\$(0.013065)	\$(0.013065)	\$(0.03648)
75% to 100%	\$-	\$-	\$(0.013065)	\$(0.02643)
25% to 75%	\$-	\$-	\$-	\$-
25% and below	\$0.02643	\$0.013065	\$-	\$-

{End}

Attachment: Attachment B: Proposed Electric Hydro Rate Adjuster (E-HRA) (14872 : Hydro Rate Adjuster Update)

CITY OF PALO ALTO UTILITIES
 Issued by the City Council

Supersedes Sheet No EHRA-2
 dated 4-1-2022



Sheet No E-HRA-2
 Effective 1-1-2023