



County of San Mateo

Inter-Departmental Correspondence

Department: PUBLIC WORKS

File #: 24-579

Board Meeting Date: 6/25/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ann M. Stillman, Director of Public Works

Subject: **Measure K:** Increase the Not-to-Exceed Amount of the Agreement with Granite Rock Company for the Middlefield Road Improvement Project in the North Fair Oaks Area and Authorize the County Executive Officer or designee to provide financial payment to PG&E in lieu of Rule 20A Credits
[County Project No. OD420, Project File No. E4931]

RECOMMENDATION:

Measure K: Recommendation to:

- A) Adopt a resolution increasing the Director of Public Works' authority to execute change orders to the construction agreement with Granite Rock Company, for the Middlefield Road Improvement Project in the North Fair Oaks Area, to increase the not-to-exceed amount of \$28,944,550 by an additional amount of \$4,103,000 to a new not-to-exceed amount of \$33,047,550; and
- B) Adopt a resolution Authorizing the County Executive Officer or designee to provide financial payment up to \$803,018 to Pacific Gas and Electric in lieu of Rule 20A Credits.

BACKGROUND:

On October 20, 2020, this Board adopted Resolution No. 077819, which adopted plans and specifications, including conformance with general prevailing wages, as established by the Department of Industrial Relations, in the locality in which said work is to be performed for each type of workman needed to execute the contract and calling for sealed bids for the Middlefield Road Improvement Project (Project).

On February 9, 2021, this Board adopted Resolution No. 078007, which authorized an agreement with Granite Rock Company (Graniterock) for construction of the Project in the amount of \$19,131,379 and authorized the Director of Public Works to execute contract change orders to grant time extensions for project completion and payment up to a maximum agreement amount not to exceed \$21,044,550.

On November 1, 2022, this Board adopted Resolution No. 079277, which increased the not-to-exceed amount of the agreement with Graniterock for construction of the Project in the amount of \$2,500,000 and authorized the Director of Public Works to execute contract change orders and payment up to a maximum agreement amount not to exceed \$23,544,550.

On September 12, 2023, this Board adopted Resolution No. 079923, which increased the not-to-exceed amount of the agreement with Graniterock for construction of the Project in the amount of \$2,900,000 and authorized the Director of Public Works to execute contract change orders and payment up to a maximum agreement amount not to exceed \$26,444,550.

On February 27, 2024, this Board adopted Resolution No. 080208, which increased the not-to-exceed amount of the agreement with Graniterock for construction of the Project in the amount of \$2,500,000 and authorized the Director of Public Works to execute contract change orders and payment up to a maximum agreement amount not to exceed \$28,944,550.

DISCUSSION:

The Project is now substantially complete. Major Project elements including sanitary sewer replacement, joint trench installation, sidewalk widening, bio-retention and green infrastructure, roadway reconstruction, striping, signing, streetlights and pedestrian lights, and streetscape elements are finished. Graniterock's remaining work includes completing punch list items or work on items that do not yet meet the Department's standards or requirements. Following the completion of Graniterock's work, the utility and telecommunications companies will install the electrical and telecommunication lines in the underground infrastructure, test the new systems, energize the new pedestrian lights and streetlights, remove the overhead wires, and remove the wooden utility poles.

The Department previously described many of the ongoing challenges the Project faced, which resulted in past cost increases. These challenges continued to be the primary reasons that have resulted in the current "not-to-exceed" amount of the agreement being insufficient to appropriately compensate Graniterock for work completed. Descriptions of these items are as follows:

- 1) The Project continues to use a Time and Materials (T&M) method of payment for several bid items including all the modifications to the Fair Oaks Health Clinic (Clinic) driveway, the relocation of the existing Fire Department Connection (FDC), regrading and replanting of the bioretention areas at the Clinic. The T&M work also included the reconstruction of sidewalks and the paving of Middlefield Road between Hurlingame Avenue and MacArthur Avenue, which were not part of the original Project scope of work. The increased cost for the T&M work is estimated to be approximately \$1,650,000 above the previous estimate.
- 2) During the jack and bore work to install the joint trench conduits (large diameter casings) under the railroad tracks, the Contractor encountered and damaged an unmarked Caltrain 6" fiber optic line. Repairing the damage and resolving the conflict with the proposed joint trench conduits required extensive coordination among multiple agencies including Union Pacific Railroad (UPRR), UPRR's consultant, the Peninsula Corridor Joint Powers Board (Caltrain), SamTrans, and Pacific Gas and Electric (PG&E), which delayed the progress of the Project by several months. This delay resulted in significant standby and remobilization costs incurred by specialized subcontractors and the Contractor. The increased cost for the joint trench jack and bore is approximately \$527,000 over the previous estimate.

- 3) The Project included numerous design changes and additional work due to unanticipated conditions and conflicts, including adjustments to the storm drain design, additional irrigation and sidewalk work, winterization during the 2023-24 rainy season, modification to bio-retention areas to protect PG&E's gas lines, restoration of improvements outside of Project limits, extra work requested by utility companies, and other necessary revisions. The additional costs for these changes are approximately \$1,926,000 over the previous estimate.

The Department recommends that this Board consider these unanticipated conditions and various factors identified above and approve the recommended contract increase amount to facilitate completion of the Project. Construction issues or conflicts arise during construction, which must be addressed immediately to keep the Project moving forward. In some cases, these issues require additional compensation. The Department has been working diligently through construction of the Project to minimize additional costs and develop solutions that are timely, effective, and financially responsible. It is anticipated that future discussions and negotiations will be required with the Graniterock to close the Project.

The Project includes placing the various existing overhead utility lines underground on Middlefield Road. PG&E has been collecting and allocating Rule 20A Credits to local agencies for converting overhead electrical facilities to underground electric facilities within an approved Underground Utility District. The electrical portion of the Project's undergrounding is funded by PG&E's Rule 20A Credits program. Prior to moving forward with construction of this Project, PG&E estimated the Rule 20A work was greater than the County's available Rule 20A Credits and allowable five year borrow. PG&E indicated that the County must obtain additional Rule 20A Credits in the amount of \$1,000,000 which the County did through purchase from another jurisdiction.

PG&E notified the Department on April 11, 2024 that their current estimated Rule 20A work is \$10,756,644, which has resulted in a deficit of \$1,606,902 in Rule 20A Credits. PG&E indicated that the County must secure the remaining Rule 20A Credits before PG&E will proceed with installing their facilities in the new underground conduits constructed as part of the Project. The Rule 20A program is being terminated as ordered by the California Public Utilities Commission and additional Rule 20A Credits cannot be allocated to the County or purchased by the County from other jurisdictions. The County Executive Officer (CEO) and Department have contacted the cities and towns within the County to ascertain whether any have Rule 20A Credits that can be donated to the County. Cities and towns that have excess Rule 20A Credits must use them, lose them, or donate them by June 8, 2025 or they will expire. Thus far the County has secured \$803,884 in donated Rule 20A credits from local jurisdictions. The remaining deficit is \$803,018 which must be satisfied for PG&E to begin their work. The Department is recommending that the CEO be given the authority to provide up to \$803,018 if necessary, to PG&E to fully fund the required cost for PG&E's Rule 20A work.

County Attorney has reviewed and approved the resolutions as to form.

FISCAL IMPACT:

The new not-to-exceed amount of Granite Rock Company construction contract is \$33,047,550. The recommended increase of the Project contract by \$4,103,000 will allow for payment to the Contractor for the above-described unanticipated work. The FY 2023-24 budget for this Project is sufficient for the recommended expenses.

Several of the additional costs as identified above are shared between various utilities and funding sources. The Department will seek reimbursement of these costs based on existing cost share agreements.