



Agenda Report

22-162

Agenda Date: 7/12/2022

REPORT TO COUNCIL

SUBJECT

Action on Contract No. 2420A with Hot Line Construction, Inc. for Electric Utility Overhead Services and Contract No. 2004D with Daleo, Inc. for Electric Utility Substructure and Aerial Fiber Optic Cable Authorizing the City Manager to Negotiate and Execute Amendments to the Contracts to Extend the Term One Year, Renegotiate Rates, and Increase Total Maximum Compensation.

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

To meet its mission and goals, the City of Santa Clara's Electric Department, Silicon Valley Power (SVP), requires a variety of specialized services, including:

- Construction Services for Electric Utility Overhead Facilities, currently provided by Hot Line Construction (Hot Line); and
- Electric Utility Substructure and Aerial Fiber Optic Cable Construction currently provided by Daleo, Inc. (Daleo)

Hot Line:

On April 18, 2017, Council approved the specifications and advertisement for bid for the Electric Utility Overhead Facilities Master Construction Agreement (Public Works Contract 2420A). Two bids were received and Hot Line Construction, Inc. (Hot Line) was the low bidder for this contract. A Master Construction Agreement Document 00520 Between the City of Santa Clara and Hot Line Construction Inc. (Contract 2420A) was awarded on July 11, 2017. Hot Line provides distribution overhead re-conductoring, utility pole and cross arm replacement, and other related tasks that help to maintain the integrity of SVP's infrastructure. Contract 2420A was anticipated not to exceed \$1,000,000 annually during a three-year term total cost based on per unit pricing and the number of projects per year. SVP authorizes work using a call order process defined in the contract. On January 12, 2021; Council authorized the City Manager to execute Amendment No. 1 Contract No. 2420A authorizing staff to issue call orders through July 31, 2022 with no change to the maximum compensation.

Daleo:

On July 18, 2017, after completion of a competitive Public Works bid process, Council authorized an Electric Utility Substructure and Aerial Fiber Optic Cable Master Construction Agreement (Contract 2004D) with Daleo, Inc. (Daleo). Daleo's services include supporting electric utility substructure and aerial fiber optic projects to construct extensions, capital repairs, and maintenance to SVP's

operations as well as to maintain and extend dark fiber infrastructure to customers. SVP provides dark fiber services to customers including large businesses, fiber carriers, data centers, and the Santa Clara Unified School District while promoting economic development and technology services to the community. The maximum compensation of the Agreement is \$6,000,000. On September 1, 2020, City Council authorized the City Manager to execute amendment No. 1 to Contract 2004D authorizing staff to issue call orders under the same specification through July 31, 2021. On July 13, 2021, City Council authorized the City Manager to execute Amendment No. 2 to Contract 2004D authorizing staff to issue call orders through July 31, 2022.

DISCUSSION

Staff anticipated completing a competitive process for these two contracts during the past year using updated public works specifications documents which are the basis for a solicitation of this type. The release of the new public work specifications documents has been delayed. Subsequently, staff recommends authorizing the City Manager to negotiate and execute amendments authorizing staff to issue call orders through July 31, 2023. This extension will permit additional time to complete the bid process using the updated specifications, while ensuring there is no disruption in services. These contracts must be in place for SVP to complete essential and critical work. This is additionally critical with current vacancies including seven vacancies in SVP's Transmission and Distribution crews.

Negotiations are currently underway with both firms to address anticipated price increases due to supply chain issues, increased materials costs, and prevailing wage increases. Staff has benchmarked labor and material costs based on construction agreements for the South Loop project and information gathered from other local government agencies. Staff is working to identify options to minimize this impact. Where applicable, amounts paid to each contractor may be recovered from the customer (such as new fiber customer or new electric distribution customer) requesting the work.

In addition to the extension of contract time, staff recommends increasing the maximum compensation for Contract 2420A with Hot Line from \$3,000,000 to \$5,000,000, subject to budget appropriations and the maximum compensation for the Contract 2004D with Daleo from \$6,000,000 to \$10,000,000. These increases in maximum compensation are associated with increases in unit pricing as well as large projects anticipated by SVP in the coming year (12KV Fairview Substation extension and Stormwater Compliance Fiber Projects) and current staffing vacancies as discussed above resulting in the need to use additional contracted services for maintenance and repair activities critical to SVP.

ENVIRONMENTAL REVIEW

The actions being considered generally authorizes work that will consist of replacements, repairs, maintenance, or small additions; therefore, the proposed action are categorically exempt under the following sections of the Guidelines of the California Environmental Quality Act (CEQA): Section 15301, Section 15302, Section 15303, and/or Section 15304 of Title 14 of the California Code of Regulations. In addition, these actions are exemption under section 15061(b)(3) in that there is no possibility that the some of activities in question may have a significant effect on the environment. In some cases, these contracts are used for portions of a larger project and any required CEQA actions will be included as a part of that project.

FISCAL IMPACT

Hot Line Construction: Staff recommends increasing the maximum compensation to \$5,000,000,

subject to budget appropriations. Sufficient funds are available in the FY 2022/23 Adopted Operating and Capital Improvement Program Budget in the Operating maintenance account for SVP Transmission and Distribution (T & D) or in the New Business Estimate Work Project in the Electric Utility Capital Fund.

Daleo: Staff recommends increasing the maximum compensation to \$10,000,000. Sufficient funds are available in the applicable capital project for which services are required or, where applicable, in the Operating maintenance account for SVP T & D.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Authorize the City Manager to:

1. Negotiate and execute Amendment No. 2 to Contract No. 2420A with Hot Line Construction, Inc. for Electric Utility Overhead Services to extend the term one year authorizing staff to issue call orders through July 31, 2023, renegotiate rates due to increased labor and material costs, and increase total maximum compensation by \$2,000,000 to \$5,000,000 and
2. Negotiate and execute Amendment No. 3 to Contract No. 2004D with Daleo, Inc. for Electric Utility Substructure and Aerial Fiber Optic Cable to extend the term of the agreement one year authorizing staff to issue call orders through July 31, 2023, renegotiate rates due to increased labor and material costs, and increase total maximum compensation by \$4,000,000 to \$10,000,000.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Rajeev Batra, City Manager

ATTACHMENTS

1. Hotline Contract 2420A
2. Amendment No. 1 to Hotline Contract 2420A
3. Daleo Contract 2004D
4. Amendment No. 1 to Daleo Contract 2004D
5. Amendment No. 2 to Daleo Contract 2004D