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City Manager's Report
January 13, 2026, City Council Meeting
Prepared by: Melissa Savage, City Engineer
Item #: 12.4

Subject: Consider finding the projects exempt from CEQA, approving splitting the Canal Street Phase 1 project into two phases, approving Amendment No. 2 to the Consulting Services Agreement and issuance of Notice to Proceed #3 with Dokken Engineering, and approving budget appropriations for the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402), Combella Road Sidewalk project (CIP #42403), and the Canal Street Phase 2 - Cougar Lane to US Highway 50 project (CIP #42404).

Recommendation: Adopt a Resolution:

1. Finding that the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402), which includes the Combella Road Sidewalk project (CIP #42403), and the Canal Street Phase 2 – Cougar Lane to US Highway 50 project (CIP #42404) are exempt from CEQA pursuant to CEQA Guidelines Sections 15301(b) and 15301(c); and
2. Approving phasing the Canal Street Phase 1 project into “Phase 1A” the Combella Road Sidewalk Project (CIP #42403) and “Phase 1B” the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402) for the final design, right-of-way, and construction phases; and
3. Approving Amendment No. 2 to the Agreement for Engineering Services with Dokken Engineering in the total combined amount of -\$387,224.62, with -\$817,869.35 for the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402), \$313,797.04 for the Combella Road Sidewalk project (CIP #42403), and \$116,847.69 for the Canal Street Phase 2 - Cougar Lane to US Highway 50 project (CIP #42404), for a revised total combined amount of \$2,825,596.39, and authorizing the City Manager to execute the same; and
4. Authorizing the City Engineer to issue Notice to Proceed #3 to Dokken Engineering in the total combined amount of \$1,258,663.18, with \$617,788.75 for CIP #42402, \$298,935.92 for CIP #42403, and \$341,938.51 for CIP #42404; and
5. Approving a \$155,735 budget appropriation in Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds for the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402); and
6. Approving a \$245,177 budget appropriation from the Measure L fund for the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402); and

7. Approving a \$309,855 budget appropriation in CMAQ funds for the Combella Road Sidewalk project (CIP #42403); and
8. Approving a \$65,145 budget appropriation from the Measure L fund for the Combella Road Sidewalk project (CIP #42403); and
9. Approving a \$50,000 budget appropriation from the Measure L Fund Construction Reserve for the Canal Street, Phase 1A-Combella Road Sidewalk project (CIP #42403); and
10. Approving a \$390,000 budget appropriation in Urban Surface Transportation Block Grant Program funds for the Canal Street Phase 2 – Cougar Lane to US Highway 50 project (CIP #42404); and
11. Approving a \$66,000 budget appropriation from the Measure L fund for the Canal Street Phase 2 – Cougar Lane to US Highway 50 project (CIP #42404).

Purpose: The purpose of this item is to take the appropriate steps to move all three phases of the Canal Street projects from the environmental phase into the final design and right-of-way phases of the projects.

Strategic Plan Strategy: Strategy 4 – Update and Maintain City-Owned Infrastructure.

Background: Canal Street was originally identified as a priority, locally funded Capital Improvement Project (CIP) in the City’s 2017-2018 CIP Budget as a pavement reconstruction project that would also include the investigation and repair/replacement of underground utilities. As the City began to evaluate the needs of the corridor, it became evident that Canal Street lacks adequate bicycle and pedestrian facilities to support nearby access and amenities to Markham Middle School and El Dorado High School. Additionally, a large gap in the sidewalk network was also identified on Combella Road, which is a critical piece in connecting the northern residential areas to both schools on Canal Street.

In 2022, the City applied for and successfully received grant funding for the Canal Street project. The awarded funds are only for the preliminary engineering/environmental, final design, and right-of-way phases. During the application process, Canal Street was split into two projects due to their unique needs. The northern portion of Canal Street was identified as Phase 1 – from Combella Road to Cougar Lane. Phase 1 also included the segment of sidewalk on Combella Road from Canal Street to David Circle. The southern portion of Canal Street was identified as Phase 2 – from Cougar Lane to US Highway 50. The City also received grant funding the construction phase of the Combella Road sidewalk. The construction phase of Canal Street Phase 1 and Phase 2 is not currently funded, but staff will be working to identify all potential sources of construction funding as the project progresses. The adoption of the Fiscal Year 2023/2024 CIP Budget created the three new projects:

- Canal Street Phase 1 – from Combella Road to Cougar Lane (CIP #42402)
- Canal Street Phase 2 – from Cougar Lane to US Highway 50 (CIP #42404)
- Combella Road Sidewalk (CIP #42403)

As noted above, the environmental, design, and right of way phases of the Combella Road Sidewalk project was approved to be included in the Canal Street Phase 1 scope of work.

On December 12, 2023, the City Council approved an Agreement for Engineering Services with Dokken Engineering in total combined amount of \$3,231,170.23 for Canal Street Phase 1 and Canal Street Phase 2, and issuance of NTP #1 in the combined amount of \$858,131.32 for the Project

Approval and Environmental Documentation phase. Later, a discrepancy in the contract amount was identified, and on April 23, 2024, the City Council approved Amendment No. 1 with a revised agreement amount of \$3,212,821.01 and a revised NTP #1 in the combined amount of \$854,415.00 was issued to Dokken Engineering. On May 7, 2025, staff administratively approved a scope/budget reallocation to shift unused budget from completed tasks to other previously authorized tasks. The no-cost NTP #2 was issued on May 7, 2025, and enabled Dokken to proceed with additional utility condition assessment services for Phase 1 and Phase 2 during the preliminary engineering phase.

Discussion:

Preliminary Engineering: During the preliminary engineering phase, Dokken prepared various design alternatives for the three project segments. On Canal Street, Dokken evaluated the existing sidewalk to determine where it is not ADA compliant, and they evaluated if other curb, gutter and sidewalk improvements are needed for connectivity or to facilitate improved roadway drainage. Dokken also evaluated the roadway width to determine where Class II bike lanes or Class III shared facilities could be provided without causing the need for significant roadway widening. On Combella Road, the roadway width was evaluated to determine how to best fit the new sidewalk on one side of the street.

Dokken completed a thorough condition assessment of existing underground utilities through CCTV inspection of the City's storm drain and sewer collection system through the project limits. A review of historical water system leaks and maintenance records was also conducted. The preliminary design process also included a Geotechnical Report which evaluated options for pavement rehabilitation, including full removal and replacement, partial depth recycling, and full depth reclamation. The outcome of these efforts was a refined set of 30% design plans recommending sidewalk improvements, bicycle facilities, full removal and replacement of the pavement on Canal Street, storm drainage improvements, sewer collection system repairs, and water system repairs.

The 30% design plans were developed with careful consideration of private property impacts and the availability of additional grant funding for the construction phase. Ultimately, the proposed design was paired down to minimize impacts to private properties and minimize project construction costs. A public meeting was held on September 8, 2025 to present the preliminary designs to the public, and the meeting was well attended with 29 attendees. The preliminary design exhibits that were presented at the public meeting for the three project segments are provided electronically as a download link as Attachment B to this staff report.

At the conclusion of the environmental and preliminary engineering phase, staff evaluated the available project funding to determine how to best move forward with the projects. Since the Combella Road Sidewalk project already has construction funding programmed, staff is recommending phasing the Canal Street Phase 1 project into "Phase 1A" the Combella Road Sidewalk Project (CIP #42403) and "Phase 1B" the Canal Street Phase 1 – Combella Road to Cougar Lane project (CIP #42402) for the remaining final design, right-of-way, and construction phases. This will enable the Combella Road Sidewalk project to accelerate to construction ahead of the Canal Street portion.

The CMAQ funding, and local matching funds, previously programmed for the Canal Street Phase 1 project are also proposed to be split between "Phase 1A" and "Phase 1B." The proposed budget appropriations for "Phase 1A" and "Phase 1B" will fully fund the efforts needed to complete the final design and right-of-way phases for both projects.

For Canal Street Phase 2, the grant funding programmed for the final design phase is insufficient to complete the entire scope of work. Staff will continue to explore options for funding the remaining phases of the project.

On May 5, 2025, Caltrans issued the NEPA Categorical Exclusion for Canal Street Phase 1 and Canal Street Phase 2, completing the NEPA environmental process. On August 21, 2025, staff received the federal authorization to proceed with the final design and right-of-way phase for “Phase 1A” the Combella Road Sidewalk project and “Phase 1B” the Canal Street Phase 1 – Cougar Lane to Combella Road project. On September 3, 2025, staff received federal authorization to proceed with the final design phase for the Canal Street Phase 2 – Cougar Lane to US Highway 50 project. The right-of-way phase was not authorized for Phase 2.

Agreement with Dokken Engineering: Staff is recommending the approval of Amendment No. 2 to the Agreement for Engineering Services with Dokken Engineering in the total combined amount of -\$387,224.62 and the issuance of Notice to Proceed #3 in the total combined amount of \$1,258,663.18. The combined, amended Agreement with Dokken Engineering as proposed is in an amount not to exceed \$2,825,596.39.

The proposed Amendment No. 2 includes splitting Dokken’s Agreement into “Phase 1A” and “Phase 1B.” Additionally, staff identified an error in the existing Agreement, and the proposed Amendment No. 2 includes a correction to the Right of Way Engineering services to properly distribute the effort between “Phase 1B” and “Phase 2.” The proposed Amendment No. 2 is in a net negative amount due to a reduction in the scope of work associated with the decision to not widen the road or underground the overhead utilities.

The following revisions are included in the proposed Amendment No. 2 to the Agreement for Engineering Services with Dokken Engineering:

Canal Street Phase 1B – Combella Road to Cougar Lane (CIP #42402)

Phase	Dokken Agreement	Amendment No. 2	Revised Agreement
Preliminary Engineering and Environmental Documentation (PA/ED) Phase	\$ 504,188	\$ (26,673)	\$ 477,516
Final Design (Plans Specifications and Estimate (PS&E) Phase	900,799	(431,138)	469,661
Right of Way Engineering Phase	519,998	(345,197)	174,800
Construction Support	55,869	(14,861)	41,008
Total	\$ 1,980,854	\$ (817,869)	\$ 1,162,985

Staff is recommending approval Amendment No. 2 in the amount of -\$817,869.35 and respectfully requesting authorization to issue Notice to Proceed #3 in an amount not to exceed \$617,788.75. Notice to Proceed #3 authorizes all tasks in Dokken’s Revised Agreement for CIP #42402, except construction support services.

Canal Street, Phase 1A - Combellack Road Sidewalk (CIP #42403)

Phase	Dokken Agreement	Amendment No. 2	Revised Agreement
Preliminary Engineering and Environmental Documentation (PA/ED) Phase	\$ -	\$ 26,672.65	\$ 26,672.65
Final Design (Plans Specifications and Estimate (PS&E) Phase	-	170,260	170,260
Right-of-Way Phase	-	102,003	102,003
Construction Support	-	14,861	14,861
Total	\$ -	\$ 313,797.04	\$ 313,797.04

Staff is recommending approval Amendment No. 2 in the amount of \$313,797.04 and respectfully requesting authorization to issue Notice to Proceed #3 in an amount not to exceed \$298,935.92. Notice to Proceed #3 authorizes all tasks in Dokken's Revised Agreement for CIP #42403, except construction support services.

Canal Street Phase 2 – Cougar Lane to US Highway 50 (CIP #42404)

Phase	Dokken Agreement	Amendment No. 2	Revised Agreement
Preliminary Engineering and Environmental Documentation (PA/ED) Phase	\$ 350,227	\$ 5,000	\$ 355,227
Final Design (Plans Specifications and Estimate (PS&E) Phase	755,483	(140,878)	614,605
Right-of-Way Phase	70,389	252,726	323,114
Construction Support	55,869	-	55,869
Total	\$ 1,231,967	\$ 116,848	\$ 1,348,814

Staff is recommending approval Amendment No. 2 in the amount of \$116,847.69 and respectfully requesting authorization to issue Notice to Proceed #3 in an amount not to exceed \$341,938.51. Notice to Proceed #3 authorizes only a portion of the final design tasks in Dokken's Agreement for CIP #42404. Currently, this project is underfunded by approximately \$450,000, and until additional funding is identified, the project will only proceed through the 65% design.

Options:

1. Approve Amendment No. 2 to the Agreement for Engineering Services and NTP #3 with Dokken Engineering, as recommended by staff.
2. Direct staff to negotiate other terms with Dokken.

Environmental: The Canal Street Phase 1 project (including the Combellack Sidewalk Project) and the Canal Street Phase 2 project were determined to be Categorically Exempt according to CEQA

Guidelines Section 15301(b) and (c) because the project involves the rehabilitation and replacement of existing facilities. A Notice of Exemption was filed with the El Dorado County Recorder’s Office on May 16, 2025.

Cost: The proposed Amendment No. 2 with Dokken Engineering will reduce the combined agreement amount by \$387,224.62, and the combined amount of the NTP #3 is in an amount not to exceed \$1,258,663.18.

Budget Impact:

Canal Street Phase 1B – Combellack Road to Cougar Lane (CIP #42402)

The City Council adopted the Fiscal Year 2023/2024 Capital Improvement Program Budget, which appropriated \$974,088 for the Canal Street Phase 1 – Combellack Road to Cougar Lane project (CIP #42402). At its meeting held on June 3, 2024, the Measures H/L Sales Tax Committee recommended a \$60,322 budget appropriation from the Measure L fund for the Canal Street Phase 1-Combellack Road to Cougar Lane project (CIP #42402), and staff is requesting to split this between “Phase 1A” and “Phase 1B”, with \$20,177 to “Phase 1B.” Additionally, at its meeting held on June 5, 2025, the Committee recommended a \$225,000 budget appropriation from the Measure L fund for the project. Staff requests that the City Council approve the Committee’s recommendations. Staff is also requesting approval of a \$155,735 budget appropriation in CMAQ funds, for a total project budget of \$1,375,000, as shown below.

Description	Adopted Project Budget	Proposed Project Budget	Difference
Congestion Mitigation and Air Quality Improvement Program	\$ 862,360	\$ 1,018,095	\$ 155,735
Measure L	111,728	356,905	245,177
Total	\$ 974,088	\$ 1,375,000	\$ 400,912

To date, the project has encumbered the following costs:

Dokken Engineering (Revised NTP #1)	\$504,188.39
Dokken Engineering (NTP #2)	0.00
Dokken Engineering (Proposed NTP #3)	617,788.75
El Dorado County Recorder/Clerk	77.08
City Staff	55,650.35
Total	<u>\$1,177,704.57</u>

As you can see, the \$1,177,704.57 in total encumbrances, including the proposed \$617,788.75 NTP #3 with Dokken, is within the proposed \$1,375,000 project budget.

Canal Street, Phase 1A - Combella Road Sidewalk (CIP #42403)

The City Council adopted the Fiscal Year 2023/2024 Capital Improvement Program Budget, which approved an \$885,000 construction phase budget for the Combella Road Sidewalk project (CIP #42403) for the construction phase of the project.

At its meeting held on June 3, 2024, the Measures H/L Sales Tax Committee recommended a \$60,322 budget appropriation from the Measure L fund for the Canal Street Phase 1 project (CIP #42402), and staff is requesting to split this between “Phase 1A” and “Phase 1B”, with \$40,145 to “Phase 1A.” Additionally, at its meeting held on June 5, 2025, the Committee recommended a \$25,000 budget appropriation from the Measure L fund for the said project. Staff requests that the City Council approve the Committee’s recommendations. Staff is also respectfully requesting approval of a \$50,000 budget appropriation from the Measure L Fund Construction Reserve and a \$309,855 budget appropriation in CMAQ funds, for a total project budget of \$1,310,000.

Description	Adopted Project Budget	Proposed Project Budget	Difference
Urban STBGP	\$ 783,490	\$ 783,490	\$ -
Congestion Mitigation and Air Quality Improvement Program	-	309,855	309,855
Measure L	101,510	216,655	115,145
Total	\$ 885,000	\$ 1,310,000	\$ 425,000

The \$885,000 budget for the construction phase has not yet been authorized by FHWA.

To date, the project has encumbered the following costs:

Dokken Engineering (Proposed NTP #3)	\$298,935.92
El Dorado County Recorder/Clerk	50.83
City Staff	1,641.38
Total	<u><u>\$300,628.13</u></u>

As you can see, the \$300,628.13 in total encumbrances, including the proposed \$298,935.92 NTP #3 with Dokken, is within the proposed \$1,310,000 project budget.

Canal Street, Phase 2 – Cougar Lane to US Highway 50 (CIP #42404)

The City Council adopted the Fiscal Year 2023/2024 Capital Improvement Program Budget, which appropriated \$450,000 for the Canal Street Phase 2 – Cougar Lane to US Highway 50 project (CIP #42404). At its meeting held on June 3, 2024, the Measures H/L Sales Tax Committee recommended a \$66,000 budget appropriation from the Measure L fund for the project. Staff requests that the City Council approve the Committee’s recommendation. Additionally, staff respectfully requests a \$390,000 budget appropriation in Urban STBGP funds for a total project budget of \$906,000.

Description	Adopted Project Budget	Proposed Project Budget	Difference
Urban Surface Transportation Block Grant Program	\$ 360,000	\$ 750,000	\$ 390,000
Measure L	90,000	156,000	66,000
Total	\$ 450,000	\$ 906,000	\$ 456,000

To date, the project has encumbered the following costs:

Dokken Engineering (Revised NTP #1)	\$350,226.61
Dokken Engineering (NTP #2)	0.00
Dokken Engineering (Proposed NTP #3)	341,938.51
El Dorado County Recorder/Clerk	77.09
City Staff	15,674.81
Total	\$707,917.02

As you can see, the \$707,917.02 in total encumbrances, including the proposed \$341,938.51 NTP #3 with Dokken, is within the proposed \$906,000 project budget.



Dave. Warren, City Manager



Melissa Savage, City Engineer

Attachments:

Attachment A: Resolution

Attachment B: [Link to Preliminary Design Exhibits](#)