



# BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 5961**  
**October 19, 2021**  
**Regular Business**

## AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 5961: American Rescue Plan Act (ARPA) Funding Discussion, including sewer and water projects overview.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Motion</li> <li><input type="checkbox"/> Ordinance</li> <li><input type="checkbox"/> Resolution</li> </ul>
<b>RECOMMENDED ACTION:</b>	<ol style="list-style-type: none"> <li>1. Receive report and provide staff direction on the use of ARPA funds;</li> <li>2. Confirm Utility Project priorities; and</li> <li>3. Approve immediate operational needs.</li> </ol>	

<b>DEPARTMENT:</b>	Public Works		
<b>STAFF:</b>	Jason Kintner, Chief of Operations Matt Mornick, Finance Director Merrill Thomas-Schadt, Recreation Coordinator/EOC Grants Coordinator		
<b>COUNCIL LIAISON:</b>	n/a	Choose an item.	Choose an item.
<b>EXHIBITS:</b>	1. Utility Projects Location Map		
<b>CITY COUNCIL PRIORITY:</b>	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.		

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

## SUMMARY

Earlier in the year the City Council directed staff to present a list of potential capital improvements that could be accelerated with the use of American Rescue Plan Act (“ARPA”) funds. This agenda bill outlines utility capital projects staff recommends the City Council consider for accelerated work, along with a second tier of utility infrastructure projects for the Council to also consider. Furthermore, staff recommends the City Council appropriate \$1.17 million of the \$7.23 million of ARPA funds on the operations side of the City’s budget.

The City is required to commit ARPA funds by December 2024, and fully expend the funds no later than December 2026. Staff will return to the City Council between now and December 2024 with additional potential uses of ARPA funds. Staff is closely following infrastructure legislation within the Federal Government, and potential opportunities to apply ARPA Funds as matching funds to support and accelerate future infrastructure investments.

## **BACKGROUND**

The American Rescue Plan Act is a Federal economic stimulus package signed into law on March 11, 2021, in response to the economic and public safety impacts of the COVID-19 Pandemic (“Pandemic”). The \$1.9 trillion legislation includes \$19.53 billion to cities and towns with less than 50,000 residents to aid in their response and recovery from the Pandemic. A separate pool of \$45.6 billion was set aside for metropolitan cities with populations over 50,000.

On June 8, Washington’s Office of Financial Management (OFM) announced ARPA allocation amounts for Non-entitlement Unit Cities (communities with under 50,000 residents), along with specific instructions to acknowledge the desire for and facilitate the transfer of ARPA funds. The OFM confirmed the City of Mercer Island will receive \$7.23 million in ARPA Fiscal Recovery Funds. The first tranche of \$3,616,084 arrived in late June of 2021. The second half of the City’s ARPA allocation is scheduled to be provided June of 2022.

At the April 27, 2021, City Council meeting, staff presented the general framework and eligible uses of ARPA funds (see [AB 5857](#)). Staff was directed to return to the City Council to discuss the allocation of funds, more specifically including water and sewer projects as eligible uses of ARPA funds.

## **UTILITY CAPITAL PROJECTS**

ARPA funds can be used in several ways to help offset the impacts of the Pandemic, including investment in infrastructure projects related to water, sewer, stormwater, and broadband utility projects. The City’s adopted 2015 Water System Plan and 2018 General Sewer Plan outlines several capital projects and infrastructure needs within each utility. The following projects are eligible for ARPA funding, and are recommended to the City Council to be accelerated for design and construction:

### *Reservoir Pump Replacements*

The City’s water distribution system is comprised of two 4-million-gallon water storage tanks, two booster pump stations, 120 miles of water mains, and 85 pressure reducing valves. Water is distributed utilizing five Byron Jackson submersible pumps. Three of these pumps were installed almost 30 years ago, while the other two were installed within the last decade. Four pumps are always operating, with the fifth pump on standby.

While one of the five pumps was taken out of service last year for emergency repairs, City staff discovered that the motors of the pumps contain mercury seals. Staff quickly procured engineering services to address this issue. Given the age of the older pumps, this event also prompted staff to evaluate current and future system demands, including hydraulic conditions, and design the replacement of all five pumps. Engineering and design work is underway and expected to be completed later this year, with construction anticipated in 2022. Based on similar projects, staff anticipates the construction will range between \$540,000 - \$700,000 for the replacement of all five pumps, necessary electrical and mechanical modifications, and project contingencies.

### *Reservoir Improvements*

The City’s two 4-million-gallon steel water storage tanks were constructed in 1962 (North Tank) and 1975 (South Tank). Both tanks had necessary seismic retrofits and upgrades completed in 2001 including replacing defective shell welds, adding structural steel bands, washing, repairing, and overcoating the exterior of the tanks and recoating of the interior surfaces.

In anticipation of needing to recoat the interior of both tanks (expected useful life of approximately 20 years), the City retained engineering and design services to evaluate the tanks for compliance with current seismic

and American Water Works Association (AWWA) D100-11 design standards. Site assessments were performed in June and July 2021 and included the following preliminary findings and recommendations:

- Structural analyses indicate both tanks meet current design requirements and loads.
- The coating system evaluation indicates **both tanks' interior coatings are failing and should be replaced, the South tank within the next one to two years, and the North Tank within the next three years.**
- Exterior tank coatings are providing acceptable corrosion resistance at this time and should be replaced when funding is available.
- Complete other minor improvements (e.g., cathodic protection replacement, vent replacements, roof hatch replacements, etc.) to improve operations and improve site security.

Engineering and design are anticipated to be completed in early 2022, with construction of the South Tank improvements scheduled in 2022. Due to system demands, one tank must always remain operational, therefore, construction of the North Tank is anticipated to occur in a different calendar year.

Both projects are currently programmed within the 2021-2026 Capital Improvement Program. However, given the project need and project status (in design), it is a good candidate for the use of ARPA funds. Staff recommends funding the North Tank construction using ARPA funding in 2023. Construction is currently estimated at \$1,740,000 – \$2,260,000 for each tank.

#### Geographic Information Services (GIS) Utility Network Data Upgrade

The GIS team is completing major upgrades to the City's GIS system. It has been identified that the current water, sewer, and stormwater GIS utility network data has reached the end of its useful life. To remain useable, the data needs to be converted and upgraded to be compatible with the new GIS system.

The City's utility network data powers the City's work order system, known as Cityworks. Upgrading to the new GIS system ensures that day-to-day inspection schedules, service requests, and work orders can be completed by Public Works staff. Migration of the City's current GIS data to the new GIS system is a best practice and adheres to the functionality and requirements of the software.

This initiative will require a GIS consultant to assist in the implementation and is estimated to cost \$110,000. This work will be completed by December 2022.

#### First Hill Booster Station Generator Replacement

In 2011, the City completed upgrades at the First Hill booster pump station. The project upgrades included the replacement of pumps, associated piping, and valves to increase the station's pumping capacity. However, the replacement of the emergency backup generator was not included in this project. The generator provides auxiliary power to the station and is 30 years old, one of the oldest generators in the City's utility system.

A design to replace this aging generator and associated appurtenances is needed. The estimated design and construction cost is \$500,000. Staff recommends accelerating this project by retaining engineering services to complete the design and preparing bid documents for construction.

#### **ADDITIONAL UTILITY CAPITAL PROJECTS FOR CONSIDERATION**

The following are priority projects that could be accelerated if the City Council chooses. These projects are not as far along in design. Cost estimates identified below are only planning level cost estimates as additional

feasibility and design work is needed. Acceleration would require the procurement of engineering and design services and the development of the bid packages.

Sewer Pipe Replacements & Upsizing

The following projects were identified in the 2003 and 2018 General Sewer Plans. Each pipe replacement and upsizing is necessary to improve capacity and prevent surcharging during storm events. While the pipe size, and construction locations are different, the size, scale and type of project are all very similar. As such, all three projects could be combined, designed, and bid as one single construction project (with different schedules). The project locations include:

- *West Mercer Sewer Pipe Upsize* - this project includes upsizing a sewer pipe from 8-inch to 12-inch diameter along West Mercer Way near West Mercer Elementary School. The planning level cost estimate is \$210,000.
- *Mercerdale Park Sewer Pipe Upsize* - this project entails upsizing a sewer pipe along 77<sup>th</sup> Ave SE and through Mercerdale Park. The project would upsizing from a 10-inch to a 12-inch diameter pipe. The planning level cost estimate is \$520,000.
- *SE 32<sup>nd</sup> Street Sewer Pipe Upsize* - this project includes upsizing from a 10-inch to 16-inch sewer pipe. The planning level cost estimate is \$145,000.

Pressure Reducing Valve Station Replacements

The water distribution system includes 85 pressure reducing valve stations (PRVs). This is a high number of PRVs for a distribution system but is necessary due to the topography of the island. The City’s PRVs range broadly in age and condition and have high maintenance costs as they age. When possible, these PRVs are replaced as part of other watermain replacement or capital work, however, given the age and size of the system, many PRVs are nearing the end of their expected useful life.

A condition assessment of all PRVs is underway and anticipated to be completed in 2021. Staff anticipate that this assessment will identify many PRVs in need of near-term replacement. The approximate construction cost for replacement of a PRV is \$200,000, and as such, the City anticipates a total cost for high priority replacements in the range of \$2,000,000 - \$4,000,000.

Utility Capital Projects (\$ in thousands)	Cost Estimate
<b>RECOMMENDED</b>	
Reservoir Pump Replacements	\$700
North Reservoir Improvements	\$2,260
GIS Utility Network Data Upgrade	\$110
First Hill Booster Station Generator Replacement	\$500
<i>Subtotal</i>	<i>\$3,570</i>
<b>FOR CONSIDERATION</b>	
Sewer Pipe Replacements & Upsizing	\$875
Pressure Reducing Valve Station Replacements	\$4,000
<i>Subtotal</i>	<i>\$4,875</i>
<b>Total</b>	<b>\$8,445</b>

## **OPERATIONAL INVESTMENTS**

Immediate operational resources are needed to help offset impacts from the Pandemic. As such, staff recommends ARPA funds be used for the following:

### *YFS Mental Health and Human Services*

The Pandemic caused unprecedented shortfalls in the Youth and Family Services (YFS) Fund, resulting in staff layoffs and furloughs in the Youth and Family Services Department. These reductions included a 20% furlough for all seven school-based counselors and the Emergency Family Assistance Coordinator.

Support from the Mercer Island Youth and Family Services Foundation (MIYFS) was integral to stabilizing health and human services in 2020 and into 2021. In FY 2020, the City initially received \$348,139 in MIYFS donations: \$293,515 of the annual contribution along with \$54,624 to support the budget amendment that restored a half-time Geriatric Specialist position within the YFS Department. In July, the City accepted \$102,600 of the MIYFS Foundation's generous one-time offer to contribute roughly \$815,000 to the YFS Fund due to the Pandemic. The portion accepted restored some services through the end of the year.

In FY 2021, MIYFS has contributed \$1,012,400 to the YFS Fund. This included the \$712,400 remainder from the FY 2020 offer, along with a \$300,000 annual contribution.

During the 2021-2022 Biennial Budget workshops in the fall of 2020, the City Council approved use of \$118,000 in 2021 and \$872,000 in 2022 of prior-year's General Fund surplus to balance the YFS Fund through the biennium. This funding need was due to the closure, and later restrained operations of the Mercer Island Thrift Shop.

The use of prior-year General Fund surplus maintained essential YFS services, including family counseling, emergency assistance, school counseling, administration, and support staff. On January 5, 2021, the City was awarded a grant from the Washington State Department of Commerce Coronavirus Emergency Supplemental Fund to cover 20% of salaries and benefits to restore eight positions in YFS back to full time for the 2021-2022 biennium.

Employee compensation for human service staff devoted to providing mental health and human services in response to the ongoing Pandemic qualify as an eligible use of ARPA fiscal recovery funds.

Staff recommends the City Council appropriate \$118,000 in 2021 and \$872,000 in 2022 of ARPA funds for the public health services YFS continues to provide to address social, emotional, and mental health needs for students and the community at large during the ongoing Pandemic, while baseline operations at the Mercer Island Thrift Shop are restored. This ARPA fund appropriation will replace the prior year's General Fund surplus the City Council earmarked to stabilize the YFS Fund during the 2021-2022 biennium. The General Fund surplus will revert to the General Fund as unappropriated for future use at the City Council's discretion.

### *Senior Management Analyst – Federal Grant Management thru 2026 (0.5 FTE)*

During the Pandemic, the City designated a staff person to serve in the Emergency Operations Center and coordinate and oversee the financial element of logistics related to the emergency. This work includes detailed timekeeping, expenditure tracking, reporting for FEMA eligible reimbursements, managing the CARES Act Funds, and now includes oversight and coordination of the ARPA funding. Managing the documentation and reporting requirements for federal funding is a significant staff commitment, currently

estimated at 20 hours per week and expected to continue through 2026 when the ARPA funding is fully expended.

Staff recommends the City Council appropriate \$33,500 for the last six months of fiscal year 2021 and \$68,000 for fiscal year 2022 and direct staff to set aside ARPA funds through 2026 to fund half (0.5 FTE) of a Senior Management Analyst position to perform this work. This 0.5 FTE may be paired with an existing 0.5 FTE position in the City Manager’s office, or it could be a standalone position.

Legal consultation related to HIPPA, Remote Work, and the Pandemic

The City Attorney’s Office has experienced an increased need to hire outside legal counsel to fulfill the City’s legal needs in response to the COVID-19 pandemic. When an emergency order or mandate is issued, legal work is necessary to research requirements and other potential impacts resulting from the order or mandate, including negotiations with bargaining units. Additionally, since the pandemic began, outside counsel was needed to help with HIPAA compliance issues triggered by YFS moving to telehealth services, HR policies on contact tracing, vaccination verifications, use of leave, remote workforce related policies, back to work protocols, and workforce reduction.

As the City reacts to changes brought by the Pandemic and the resulting recovery, staff recommends the City Council appropriate \$40,000 of ARPA funds in both 2021 and 2022 for ongoing and additional legal assistance from outside counsel.

Operational Investments (\$ in thousands)	Cost Estimate thru 2022
YFS Mental Health and Human Services	\$990
Federal Grant Management thru 2026 (0.5 FTE)	\$102
Legal consultation related to the Pandemic	\$80
<b>Total</b>	<b>\$1,172</b>

**NEXT STEPS**

Based on the City Council’s input this evening, staff will work towards accelerating the specified capital utility projects. Staff will return to the City Council in the second quarter of 2022 to discuss project sequencing, refined cost estimates, and funding options including the use of ARPA funds. Staff will also provide an update on market conditions, the bidding climate, and potential impacts resulting from federal legislation.

The City is required to commit ARPA funds by December 2024, and fully expend the funds no later than December 2026. Staff will return to the City Council between now and December 2024 with additional potential uses of ARPA funds. For example, projects previously mentioned include technology modifications to City Hall Council Chambers to improve the hybrid model of in-person and online public meetings. Staff is working through the details of these and other projects and will return to the City Council with more information in fiscal year 2022.

**RECOMMENDED ACTION**

Staff recommends the City Council:

1. Receive report and provide staff direction on the use of ARPA funds;
2. Confirm which of the utility projects presented staff should work to accelerate; and
3. Appropriate \$1,171,500 of ARPA funds to address immediate operational needs within the organization.