



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 11/28/2023

REQUESTER: Kenneth J. Giannone, PE

PRESENTER: Kenneth J. Giannone, PE, Capital Projects Engineer

ITEM TITLE: CONSIDERATION OF APPROVAL, ACCEPTANCE, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF AWARDDING BID 2324-19, AND CONTRACT K-2324-66: BY AND BETWEEN THE NORMAN UTILITIES AUTHORITY AND CROSSLAND HEAVY CONTRACTORS, IN THE AMOUNT OF \$3,320,000, PERFORMANCE BOND B-2324-32, STATUTORY BOND B-2324-33, AND MAINTENANCE BOND MB-2324-22 FOR PROJECT WW0326, NORMAN WATER RECLAMATION FACILITY DEWATERING IMPROVEMENTS AND AUTHORIZING PROJECT FUNDING AS OUTLINED IN THE STAFF REPORT.

BACKGROUND:

Centrifuges are a critical part of the bio-solids handling process at the Norman Water Reclamation Facility (WRF). They reduce the liquid content of sludge which greatly reduces volume of sludge that must be hauled and land-applied while also makes the loading, dumping, and spreading process less labor intensive for WRF staff. Unfortunately, the existing centrifuges at the WRF are approaching the end of their useful lives. Consequently, they need excessive maintenance, regular major repairs and increasing polymer feed rates to achieve necessary sludge quality. Moreover, poor service provided by manufacturer and long lead time on spare parts has often resulted in extended downtime before necessary repairs could be completed. In addition, the existing centrifuges, while appropriately sized for current influent flow, will not be large enough for projected future influent flow as per the Norman 2060 Strategic Water Supply Plan. For these reasons, Norman Utilities Authority (NUA) approved a Contract with Garver, LLC on December 8, 2020 to prepare a design to replace the existing centrifuges with state-of-the-art dewatering equipment that will be sized so they will meet the requirements of projected future influent flows.

The design process included extensive evaluation of manufactures and available technologies for sludge dewatering including review of equipment quality and capabilities, operating costs, service quality and spare parts capabilities. The design process also evaluated and confirmed future projected influent flows in order to properly size the new equipment. Based on this process, three (3) manufacturers of equivalent centrifuges were identified in the contract documents and equipment was sized to ensure that it would meet projected influent flow requirements as per the Norman 2060 Strategic Water Supply Plan. Final Design on this project was completed during the summer of 2023.

DISCUSSION:

Contract Award: The advertisement for bids was published in the Norman Transcript on August 31 and September 7, 2023, with bids received and opened on October 19, 2023. As shown in the attached bid tabulation, five (5) bids were received and they were very competitive. There was less than 2% difference between the first two bids and only 5% separated the first three bidders. The low bidder is Crossland Heavy Contractors with a Base Bid in the amount of \$3,320,000. NUA staff recommends award of the Base Bid amount to Crossland Heavy Contractors. Per the attached Bid Evaluation Letter, Garver concurs with this recommendation.

Assuming NUA approval of Contract Award on November 28, 2023, the contract time would likely start on December 11, 2023. The centrifuges have a very long lead time (up to 40 weeks). For this reason, while prompt Contract Award and Notice to Proceed dates are anticipated, it is likely that for the first several months of the project, contractor will be focused on preparing, and then obtaining approval of, shop drawings for the centrifuges and then on managing the fabrication and delivery process for the equipment. Consequently, major work on site may not commence for several months after Notice to Proceed. Contract completion date is anticipated for the end of 2024.

Funding: As noted in the "Background" section, this project is both replacing centrifuges that have reached the end of their useful lives as well as upsizing the equipment in order to meet future projected influent flows. Garver estimates that approximately 60% of the project cost is associated with replacing equipment, while the remaining 40% of the cost is associated with costs to upsize the equipment. As a result, funding for this project will come from both the Water Reclamation Fund (for the 60% of costs incurred replacing equipment) and the Sewer New Development Excise Tax Fund, which is funded via an excise tax on new residential and commercial development and earmarked exclusively for future improvements and expansion to the City's wastewater system (for the 40% of costs incurred increasing the capacity of the centrifuges to meet projected future demands).

Based on a total expected construction cost of \$3,650,000 ($\text{Base Bid} + 10\% \text{ Contingency} = \$3,320,000 + [10\% \times \$3,320,000] = \$3,320,000 + \$330,000 = \$3,650,000$), funding for the project should be allocated as follows: \$2,190,000 ($60\% \times \$3,650,000 = \$2,190,000$) of total expected construction cost should be funded from Water Reclamation Fund, Construction Account, 32999911-46101 (WW0326), which has an unencumbered balance of \$3,000,000. The remaining \$1,460,000 ($40\% \times \$3,650,000 = \$1,460,000$) of the total expected construction cost should be funded from the Sewer New Development Fund, Construction Account, 32299911-46101 (WW0326), which has an unencumbered balance of \$2,000,000.

It should be noted that this project has also been tentatively approved for a Federal Community Funding Grant in an amount of up to \$5,000,000. The Grant, if confirmed, will be funded in the Federal Budget for Fiscal Year Ending (FYE) September 30, 2024. Unfortunately, as of the date of this staff report, the Federal Budget for FYE September 30, 2023 has not yet been approved by Congress, and, per the latest update from staff at Federal Community Funding Grants, it is likely to be at least mid-2024 and possibly later before funds, if confirmed and budgeted, might become available for this project. Staff at Federal Community Funding Grants has also given assurances that, if we proceed with this project in the manner described, and on the schedule proposed, in this staff report, it would have no bearing on our eventual approval for the grant once funding is confirmed, and, if and when grant is approved, we could immediately commence drawing down grant funds, including for work completed prior to approval of Community Funding Grant. For this reason and because of the critical nature of this project, staff recommends that contract be awarded immediately using funding from existing accounts as referenced above. This will allow the fabrication process for the new centrifuges, which is projected to be as long as 9 months, to commence as soon as possible.

Then, if and when Community Funding Grant is approved, all construction charges paid as of the grant approval date will be immediately drawn down and, upon receipt, deposited into the Water Reclamation and the Sewer New Development Funds in the same ratio those costs were incurred.

It should also be noted that there is one additional potential issue that could jeopardize a portion of the Federal Community Funding Grant if the Contract is awarded immediately. All Federal Grants require that Contract Documents meet latest standards promulgated by department awarding the grant. The Contract Documents for this project meet current standards for Federal Community Funding Grant office, however, if and when Congress approves funding for FYE September 30, 2024 grants, there is always a chance they could change or update their standards, creating a chance that our currently-compliant Contract Documents might no longer be compliant when funding is approved. After further investigation, NUA has determined a means to mitigate this minor risk. The Federal Community Funding Grant office has an additional rule regarding Contract Document compliance: If the Grantee is receiving some portion of their project funding from a different Federal Grant program, the requirements of that other Federal Grant program will prevail regardless of the latest requirements set by their own grant. For this reason, NUA intends to mitigate this risk by applying for a low-interest loan from the Oklahoma Water Resources Board (OWRB) from the Clean Water State Revolving Fund (CWSRF) to fund a portion of this project. The Contract Documents for this project are already compliant with requirements of CWSRF, which means, if NUA used some funding from a CWSRF loan, our Contract Documents, which already comply with CWSRF requirements would, by rule, also comply with Federal Community Funding Grant requirements, regardless of any new, unanticipated revisions to Federal Community Funding Grant requirements.

In any case, the latest report from Raftellis' regarding funding of wastewater capital projects recommends using low-interest loans from CWSRF to fund current projects whenever possible. On that basis, we are proceeding with an application to OWRB for a CWSRF loan. The loan will be for "Various Critical Maintenance Projects" at WRF. In this manner, we can initially draw down funds from the CWSRF loan to fund the WRF Centrifuge Improvements project. In addition to providing low cost funds for the project as per the Raftellis report, the CWSRF loan will, as noted above, also ensure that Contract Documents for this project will comply with Federal Community Funding Grant requirements, even if Congress adds additional requirements when approving funds for FYE September 30, 2024 grant projects. Then, if and when the Federal Community Funding Grant is approved for this project, the CWSRF funds can be allocated to one or more of several other critical maintenance projects at the WRF while Federal Community Funding Grant funds will be used to pay both for previously incurred charges on this project and current and future charges on this project as they are incurred.

Tax Exempt Status: The City of Norman is exempt from the payment of any sales or use taxes. Pursuant to Title 68 O.S., Section 1356 (10) and as allowed by Oklahoma Tax Commission Rules Part 27 Trust Authority 710:65-13-140, direct vendors to the Norman Utilities Authority (NUA) are also exempt from those taxes. A contractor and his subcontractors may exclude from their cost, sales taxes on appropriate equipment, materials, and supplies that need not be paid while acting on behalf of the NUA. To minimize project costs, the NUA will make payment directly to vendors supplying equipment and materials for incorporation into the project.

RECOMMENDATION:

Staff recommends that the NUA accept Bid No. 2324-19 and award a contract for the Base Bid in the amount of \$3,320,000 to Crossland Heavy Contracting of Columbus, Kansas as the lowest and best bidder; authorize approval and execution of Contract K-2324-66 with the performance, statutory, and maintenance bonds in the amount of the contract, authorize the NUA to pay vendors for equipment and supplies for the WRF Dewatering Improvements project, and authorize that project be funded in the manner described above.