

Council Agenda Bill

AB Number

AB25-059

Agenda Bill Information

Title*

Selecting RH2 to Provide Construction Management Services for the Reclaimed Water Distribution System Improvements Project

Action*

Motion

Council Agenda Section

Committee Report

Council Meeting Date*

05/27/2025

Staff Member

Andrew Vining, Project Engineer

Department*

Public Works

Committee

Parks and Public Works

Committee Date

05/20/2025

Exhibits

Packet Attachments - if any

Amendment 3	16KB
Scope of Work_Contract Amendment 3_Engineering Services During Construction.pdf	426.98KB
Qualifications Statement_Reclaimed Water Distribution System Improvements Construction Management and Inspection Services.pdf	3.18MB

Summary

Introduction*

Brief summary.

This agenda bill seeks to approve Amendment No. 3 selecting RH2 to provide Construction Management Services for the Reclaimed Water Distribution System Improvements Project scheduled to begin construction this spring.

This project is funded through a low-interest loan received from the Department of Ecology Clean Water State Revolving Fund. The improvements will upgrade the aging reclaimed water distribution system and bring it into compliance with current state standards.

Proposed Motion

Move to adopt Resolution 1718 selecting and authorizing the execution of a contract amendment for engineering services with RH2 Engineering to provide Construction Management and Inspection Services for the Reclaimed Water Distribution System Improvements Project and authorizing the Mayor to sign.

Background/Overview*

What was done (legislative history, previous actions, ability to hyperlink)

LEGISLATIVE HISTORY

State Legislation

The state legislature approved the Reclaimed Water Use Act in 1992 codified as RCW 90.46. This act encouraged using reclaimed water for land application, industrial, and commercial uses. In 1997 the Water Reclamation and Reuse Standards were developed to support this act. Most recently in 2006 this act was amended to expand uses of reclaimed water and directed state agencies to develop framework for safe and beneficial use of reclaimed water – this amendment is the origin of the reclaimed water rule.

Following the 2006 legislative direction state agencies (Department of Health and Department of Ecology) jointly began developing the framework over a 12-year period based on stakeholder feedback. In 2018 the Reclaimed Water Rule (WAC 173-219) was adopted to encourage the use of reclaimed water to help meet the growing need for clean water across the state by establishing regulatory framework for the generation, distribution, and the use of reclaimed water for beneficial use. Concurrently agencies published the Reclaimed Water Facilities Manual or “Purple Book” which provides more in-depth guidance for utilities that produce reclaimed water.

City Legislation

Following the state adoption of Reclaimed Water Rule in 2018 the City began evaluating options to ensure compliance with updated state standards. On February 25, 2019 under [AB19-022](#) City Council authorized RH2 Engineering (RH2) to prepare a Reclaimed Water Irrigation System Analysis Feasibility Study to provide agency coordination and evaluate potential solutions to meet the Reclaimed Water Rule standards. During this period the City also renewed its Water Reclamation Facility NPDES Permit WA0022403 (Permit) which authorizes the production and distribution of up to 1.56 million gallons of Class A Reclaimed Water daily. The City provided comment to the City’s draft permit on February 24, 2020 and received responses from Ecology documented in the permit. The final Permit outlines necessary improvements to the City’s reclaimed water distribution system and an associated compliance schedule. The following related agenda bills were presented to Council to facilitate these improvements and continue production of Class A water. On November 28, 2022 City Council approved [AB22-146](#) Resolution No. 1632 authorizing a contract with RH2 to complete a Reclaimed Water Distribution System Engineering Report. This contract was amended on October 3rd, 2023 under [AB23-110](#) which authorized RH2 to complete design of the reclaimed water reservoir improvements. On October 28th, 2024 under [AB24-116](#) Administration provided a project update to Council and solicited public

comments. On March 10th, 2025 City Council approved [Resolution No. 1709](#) accepting a \$8.651M low (1.6 percent) interest loan from the Department of Ecology Clean Water State Revolving Fund (CWSRF) to apply towards project design and construction costs. On April 28th, 2025 City Council approved [Resolution No. 1713](#) awarding the project construction contract to Prospect Construction.

BACKGROUND

On March 18th, 2025 City staff advertised a request for qualifications (RFQ) for professional services for the purposes of construction management and inspection services needed to support the construction phase of the Reclaimed Water Distribution System Improvements. Following a four-week advertisement period qualifications were received from RH2 Engineering, and staff selected additional qualification statements from two additional firms, Gray and Osborne, and Parametrix listed on the City consultant roster. A panel of four City staff unanimously selected RH2 to provide construction management and inspection services for the project. City staff worked with RH2 to prepare a scope of work to complete the construction management and inspection tasks for the project. To reduce budget impacts the initial scope of work was reduced by eliminating tasks associated with SCADA programming, writing the Operation & Maintenance (O&M) Manual, and limiting the duration of on-site inspection. These eliminated tasks will be completed internally by City operations and engineering staff prior to project completion. The final scope of work is presented in Exhibit 2 and includes the minimum tasks needed to provide construction management and inspection thru project completion. The total fee for this work is \$655,200. Construction phase support services should begin now to maintain schedule compliance with the NPDES permit requirements and complete the project prior to June 30th, 2026.

Analysis*

These improvements will bring the Class A water distribution system to current standards to ensure safe and reliable delivery of reclaimed water and preservation of potable water resources. RH2 has the available staff and qualifications needed to provide construction management and inspection services for this project. Their team has demonstrated experience successfully completing similar reservoir and pump station projects, as well as complex state funded wastewater projects. The scope of the consultant involvement has been reduced to limit budget impacts. The consultant services proposed in Exhibit 2 are intended to provide a limited but sufficient level of construction phase controls needed meet the state funding requirements and successfully complete the project. City Staff recommended selecting RH2 for the construction management and inspection services needed to complete the Reclaimed Water Distribution System Improvements project.

Budgetary Status*

Funds will be requested for this action, if approved, in this year's budget.

Fiscal Impact

Amount of Expenditure	Amount Budgeted	Appropriation Requested
\$655,200.00	\$8,651,047.00	\$655,200.00

Budget Summary

Administration recommends approving an amendment to the contract with RH2 in the amount of \$655,200 for construction management of the Eagle Lake Water Reclamation Basin Improvement Project. This project was incorporated in the 2025-26 Biennial Budget (Ord. 1296) as part of the continuing appropriation for capital projects within the Utility Capital Fund (#417). Over the life of this project, \$1,020,758 has been spent, with \$7,643,447, \$414,050, and \$22,812 encumbered respectively for previously approved contracts, estimated City employee labor during the biennium, and loan issuance costs. With the addition of the RH2 contract of \$655,200, and in conjunction with the \$7,178,870 Prospect Construction contract from AB25-048, the project has a project budget shortfall of \$1,105,220 within the Utility Capital Fund (#417), as shown in the first table below.

Administration anticipates bringing an amendment forward to increase the Eagle Lake Water Reclamation Basin Improvement Project budget by the current shortfall of \$1,105,220. The shortfall will be somewhat mitigated by an \$9,101,870 Department of Ecology (Ecology) loan. \$2,224,677 of the loan amount was not factored into the 2024 Utility Rate Study, as shown in the second table. The amount of the Ecology loan not factored into the 2024 Utility Rate Study, which has a 1.6% interest rate, will be offset partially by a reduction in the anticipated size of the 2025 Revenue Bond, which has an estimated interest rate of 5.0%.

If Council approves the most recent \$450,870 increase to the Ecology loan, then the adjusted Ecology loan combined with other debt within the wastewater utility will cost the city an estimated \$523,886 annually, which is \$4,124 higher than the estimated \$519,762 in new wastewater debt service originally anticipated by the 2024 Utility Rate Study. See the final table below for these figures. This \$4,124 annual increase will affect the first 20 years of both loans. After that point, when the 20-year Revenue Bond retires, the City would continue to pay \$93,952 annually for the final 10 years of the Ecology loan above that provided for within the Utility Rate Study. Administration proposes funding the annual \$4,124 gap by decreasing the amount spent within Utility Main and Drain Replacement Program. The \$93,952 debt service for years 21 through 30 can continue using money from the Utility Main and Drain Replacement program, but this decision will be addressed in future rates studies.

Fiscal Impact Screenshot

Eagle Lake Water Reclamation Basin Improvement Project

	Life-of-Project Budget (Multiple Bienniums)
Beginning Budget	\$ 8,651,047
Expenditures	\$ (1,020,758)
Outstanding Contract Value (Previously Approved)	\$ (7,643,447)
Estimated Labor Value for Biennium (City Employees)	\$ (414,050)
Loan Issuance Cost	\$ (22,812)
Current Available Budget	\$ (450,020)
Value of this Contract (AB25-059)	\$ (655,200)
Available Budget / (Shortfall) after AB25-059	\$ (1,105,220)

Changes from the 2024 Utility Rate Study (Eagle Lake Water Reclamation Basin Improvements)

	2024 Utility Rate Study	2025 Project Adjustment	Increase (Decrease)	% Change
Original Project Budget	8,651,047	8,651,047	-	0%
Project Budget Amendment Required	-	1,105,220	1,105,220	100%
Eagle Lake Project Budget =	8,651,047	9,756,267	1,105,220	13%
Department of Ecology Loan	6,877,193	9,101,870	2,224,677	32%
Other Funding Sources (Cash and/or Revenue Bond)	1,773,854	654,397	(1,119,457)	-63%
Planned Funding Sources =	8,651,047	9,756,267	1,105,220	13%

Changes from the 2024 Utility Rate Study (2025 Debt Issuances)

	2024 Utility Rate Study	2025 Debt Adjustment	Increase (Decrease)	% Change
Department of Ecology Loan (30 years, 1.6%)	6,877,193	9,101,870	2,224,677	32%
2025 Revenue Bond (20 years, 5.0%)	2,857,905	1,738,448	(1,119,457)	-39%
Planned 2025 Debt Issuances =	9,735,098	10,840,318	1,105,220	11%
Planned Debt Service Payment (2025-2044) =	519,762	523,886	4,124	1%
Planned Debt Service Payment (2045-2054) =	290,437	384,389	93,952	32%