

STAFF REPORT



SUBJECT: Stephenville Wastewater Treatment Plant
Amendment to Agreement for Operations, Maintenance and Management Services
Jacobs/CH2M OMI Proposed Agreement Amendment for FY 2022-2023

MEETING: Public Works Committee Meeting - 17 JAN 2023

DEPARTMENT: Public Works

STAFF CONTACT: Nick Williams

RECOMMENDATION:

Staff recommends approval of the proposed contract amendment with a 3.50% base rate increase. The proposed increase of \$23,445.52 yields an annual wastewater treatment operational cost of \$934,635.52 in accordance with the existing agreement.

BACKGROUND:

Provisions of the existing operations and maintenance agreement with CH2MHILL/OMI are reviewed annually. The city originally entered into an agreement with OMI in 1996 for the daily operations and maintenance of the wastewater treatment plant (WWTP). The city renewed the contract with CH2MHILL/OMI on October 7, 2014. The term of the agreement was extended to match the finance period for two backup electrical generators, which CH2MHILL/OMI agreed to finance at no cost to the city. The agreement was renewed in FY20-21 with a five-year renewal setting the existing agreement expiration at September 30, 2026.

The base fee for last fiscal year (FY21-22) was \$845,590 and included \$87,000.00 and \$79,400.00 for the respective rebateable items of sludge hauling and chemical usage. The base fee also included \$9,318.00 for the continued management of the city's state-mandated Fats, Oils, and Greases (FOG) program.

FISCAL IMPACT SUMMARY:

The FY22-23 proposal negotiates a 3.50% operational base rate increase of \$23,445.52 for a total annual operational cost of \$934,635.52.

The requested base rate percentage increase is a negotiated, proposed increase.

Using the contractually calculated, default adjustment, verified using the contract Base Fee Adjustment Formula in Appendix E of the executed agreement, would result in an 8.52% increase. The 5.02% cost savings, achieved between the contractually calculated 8.52% increase and the proposed 3.50% increase, yields \$31,972.43 in negotiated cost savings.

The amendment proposes to increase the rebateable sludge hauling costs by \$11,000 (12.6%), from \$87,000 to \$98,000, as well as increase the rebateable bulk chemical costs by \$54,600 (68.8%), from \$79,400.00 to \$134,000. Rebateable items are pass-through costs and waste hauling and chemicals have increased significantly since last year. The substantial increases in the rebateable items totaled \$65,600. This is a 39.4% increase in rebateable items and accounts for over 70% of the total operational increase this FY.

The proposal maintains the provision for the Fats, Oils, and Greases (FOG) tracking program at the rate of \$9,318.00.

The total proposed contract amount, including base fee operations, sludge hauling, chemicals, and FOG program management is \$934,635.52; an \$89,045.52 or 10.5% overall increase from FY21-22.

The FY22-23 budget approved \$870,958 for operations. \$63,678 would need to be allocated from fund balance to make up the difference in the budgeted amount and the proposed amount.

ALTERNATIVES TO PROPOSAL:

The following alternatives are offered for consideration:

1. Do not recommend approval of the contract amendment with the proposed 3.50% operational base rate increase;
2. Postpone amendment approval and renegotiate the terms of the amendment.

ADVANTAGES:

Approval of the proposed agreement amendment provides for a \$31,972.43 (5.02%) cost savings. Approval also provides access to global, industry expertise and allows the city to take advantage of bulk pricing discounts for chemical usage.

DISADVANTAGES:

Approval of the proposed agreement amendment provides is a 10.5% overall increase and is \$63,678 over budget for the cost of daily operations and maintenance of the Stephenville Wastewater Treatment Plant.

ATTACHMENTS:

Attached is a copy of the proposed annual agreement amendment from Jacobs/CH2M OMI for FY2022-2023 for the continued daily operations and maintenance of the Stephenville Wastewater Treatment Plant. Also attached are supporting calculations.

1. [WWTP Operations Amendment – Proposed](#)
2. [WWTP Operations Amendment – Supporting Calculations](#)