

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](#)

CONTRACTUALLY CALCULATED RATE ADJUSTMENT

Base Fee adjustment formula as shown in Appendix E.3

ABF = Adjusted Base Fee

E = ECI for Total Compensation for Civilian Workers, Not Seasonally Adjusted (Employment Cost Index) reported as a percentage for the first quarter of the year for which an ABF is being calculated as published by U.S. Department of Labor, Bureau of Labor Statistics in the Detailed Report Series Id: CIU1010000000000A.

C_o = Consumer Price Index for all urban consumers as published by U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report Series Id: CUUR0000SA0 for the month that is eighteen (18) months prior to the beginning of the period for which an ABF is being calculated, which is the month of March.

C = Consumer Price Index for all urban consumers as published by U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report Series Id: CUUR0000SA0 for the month that is six (6) months prior to the beginning of the period for which an Adjusted Base Fee is being calculated, which is the month of March.

ABF = Adjusted Base Fee

ABF = BF x AF

BF = Base Fee

AF = Adjustment Factor as determined by the formula:

$$AF = [((E)0.50 + ((C-C_o)/C_o)0.50)] + 1.02$$

$$E = 4.50\%, \quad C = 287.504, \quad C_o = 264.877$$

$$AF = [(4.5\%)0.50 + ((287.504-264.877)/264.877)0.50] + 1.02$$

$$AF = [(.045*.5) + (.0854*.5)] + 1.02$$

$$AF = 1.0852 \text{ shown as an } 8.52\% \text{ increase}$$

DEFAULT INCREASE OF 8.52%

Contractual Default Fee Calculation

FY21-22 Base Fee = \$669,872.00

Amount of Base Fee Increase = \$669,872.00 x 0.0852 = \$57,073.09

ABF = \$669,872.00 x 1.0852 = \$726,945.09

✓ ABF = \$669,872.00 + \$57,073.09 = \$726,945.09

Operational Fee (OF) Calculation

OF = ABF + Sludge Hauling + Chemicals + FOG

✓ OF = \$726,945.09 + \$87,000 + \$79,400 + \$9,318 = **\$902,663.09**

NEGOTIATED AND PROPOSED INCREASE OF 3.50%

Negotiated Fee Calculation

FY21-22 Base Fee = \$669,872.00

Amount of Base Fee Increase = \$669,872.00 x 0.0350 = \$23,445.52

ABF = \$669,872.00 x 1.035 = \$693,317.52

✓ ABF = \$669,872.00 + \$23,445.52 = \$693,317.52

Operational Fee (OF) Calculation

OF = ABF + Sludge Hauling + Chemicals + FOG

✓ OF = \$693,317.52 + \$98,000 + \$134,000 + \$9,318 = **\$934,635.52**

OF Cost Savings: 8.52%OF – 3.50%OF = \$934,635.52 - \$902,663.09 = **\$31,972.43**

Supporting Documentation for (E) Employment Cost Index and (CPI) Consumer Price Index:

<http://data.bls.gov/timeseries/CIU1010000000000A>

Data extracted on: January 11, 2023 (3:24:24 PM)

Employment Cost Index

Series Id: CIU1010000000000A (B,C)

Not seasonally adjusted

Series Title: Total compensation for All Civilian workers in All industries and occupations, 12-month percent change

Ownership: Civilian workers

Component: Total compensation

Occupation: All workers

Industry: All workers

Subcategory: All workers

Area: United States (National)

Periodicity: 12-month percent change

Year	Qtr1	Qtr2	Qtr3	Qtr4
2012	1.9	1.7	1.9	1.9
2013	1.9	1.9	1.9	2.0
2014	1.8	2.0	2.2	2.2
2015	2.6	2.0	2.0	2.0
2016	1.9	2.3	2.3	2.2
2017	2.4	2.4	2.5	2.6
2018	2.7	2.8	2.8	2.9
2019	2.8	2.7	2.8	2.7
2020	2.8	2.7	2.4	2.5
2021	2.6	2.9	3.7	4.0
2022	4.5	5.1	5.0	

B : Includes wages, salaries, and employer costs for employee benefits.

C : See Footnote C on www.bls.gov/ect/cimapnote.htm.

http://data.bls.gov/timeseries/cuur0000sa0?series_id=cwur0000sa0

Data extracted on: January 11, 2023 (3:24:39 PM)

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0

Not Seasonally Adjusted

Area: U.S. city average

Item: All items

Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	

Below is a table summarizing the proposed base fee from Jacobs/CH2MHILL/OMI:

2021-2022 Base Fee		669,872.00
Sludge Hauling		87,000.00
Chemicals		79,400.00
FOG Program		9,318.00
2020-2021 Total Fee		845,590.00
Adj Rate (not applied to rebateables/FOG)	3.50%	23,445.52
2022-2023 Base Fee		693,317.52
Sludge Hauling		98,000.00
Chemicals		134,000.00
FOG Program		9,318.00
2022-2023 Base Fee		934,635.52
2022-2023 Total Fee (Rounded)		934,636.00

AMENDMENT NO. 16
to the
AGREEMENT FOR OPERATIONS, MAINTENANCE AND
MANAGEMENT SERVICES
for the
CITY OF STEPHENVILLE, TEXAS

This Amendment No. 16 to the Agreement for Operations, Maintenance and Management Services for City of Stephenville, Texas dated October 1, 2006 (the "Agreement") is made and entered into this ____ day of _____ 2022 (the "Effective Date") by the City of Stephenville, Texas (hereinafter the "Owner") and Operations Management International, Inc. (hereinafter "CH2M HILL OMI"), whose address for formal notice is 6312 S. Fiddler's Green Circle, Suite 300N, Greenwood Village, CO 80111.

NOW THEREFORE, Owner and CH2M HILL OMI agree to amend the Agreement as follows:

1. Paragraph 3.1 Owners Responsibilities is hereby deleted in its entirety and replaced with the following:

3.1 The Owner shall pay for all expenditures for: (1) Capital Expenditures; (2) Electrical Cost; (3) Sludge Hauling Cost in excess of the Sludge Hauling Limit; and (4) Chemicals Cost in excess of the Chemicals Limit.

2. Paragraph E.1.1. of Appendix E is hereby deleted in its entirety and replaced with the following:

E.1.1. Owner shall pay to CH2M HILL OMI as compensation for services performed under this Agreement a Base Fee of Nine Hundred Thirty-Four Thousand Six Hundred Thirty-Six Dollars (\$934,636) which includes the Sludge Hauling Limit, Chemical Limit, and FOG costs which shall be payable in twelve monthly installments of Seventy-Seven Thousand Eight Hundred Eighty-Six Dollars and Thirty-Three Cents (\$77,886.33) for the period of October 1, 2022 through September 30, 2023. Subsequent years' base fees shall be determined as hereinafter specified.

2. Paragraph E.1.3 of Appendix E is hereby deleted in its entirety and replaced with the following:

E.1.3 The total amount CH2M HILL OMI shall be required to pay for Sludge Hauling Cost shall not exceed the annual Sludge Hauling Limit of Ninety-Eight Thousand Dollars (\$98,000). This amount will remain the same every year until the expiration of the Agreement or if both Parties agree to negotiate a new amount prior to the expiration of the Agreement. Owner will pay as additional compensation to CH2M HILL OMI any amount above the annual Sludge Hauling Limit and CH2M HILL OMI will rebate to City any amount less the annual Sludge Hauling Limit.

3. Paragraph E.1.5 of Appendix E is hereby deleted in its entirety and replaced with the following:

E.1.5 Option 1: The total amount CH2M HILL OMI shall be required to pay for Chemical costs shall not exceed the annual Chemicals Limit of One Hundred Thirty-Four Thousand Dollars (\$134,000). This amount will remain the same every

year until the expiration of the Agreement or if both Parties agree to negotiate a new amount prior to the expiration of the Agreement. Owner will pay as additional compensation to CH2M HILL OMI any amount above the annual Chemicals Limit and CH2M HILL OMI will rebate to City any amount less the annual Chemicals Limit.

This Amendment No. 16 constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated otherwise, all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement shall be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

Authorized signature:

Authorized signature:

**OPERATIONS MANAGEMENT
INTERNATIONAL, INC.**

CITY OF STEPHENVILLE, TX

Name: Greg Weeks
Title: Designated Manager
Date: 12/15/2022_____

Name: Doug Svien
Title: Mayor
Date: _____