



REQUEST FOR COUNCIL ACTION

Title: Water/Wastewater Treatment Facilities Management Direction

Preferred Agenda: October 13, 2020

Submitted By: Greg Springman, Public Works Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution ____ Motion X Roll Call ____ Other ____

Relevant Code/Policy: N/A

Towards Council Goal: 2.5: Continue to implement best financial practices
2.6: Employ sound technology to maximize efficiency

Attachments: RFP for O&M of the Treatment Facilities – Scoring results
RFP for O&M of the Treatment Facilities – Negotiated contract

Purpose of this RCA:

Authorization from City Council to choose a future path from presented Treatment Services Options.

Background/Context:

In October 2006, the City of Sweet Home (City) and Jacobs entered into an agreement to provide complete operation, maintenance and management services of the City's municipal water and municipal wastewater treatment facilities. This initial agreement was for a period of ten years with an automatic five-year extension.

During a work session on August 11, 2015, City Council considered early renewal options and upon discussion with staff and representatives of Jacobs, Council indicated a desire to consider moving forward with a fifteen-year extension.

In September 2015, the City and Jacobs entered into a new agreement to provide complete operation, maintenance and management services of the City's municipal water and municipal wastewater treatment facilities. This agreement was agreed upon for sixteen (16) years, commencing on July 1, 2015, and ending July 30, 2031, with an option to automatically renew for an additional term of five (5) years.

In July 2017, the City Council approved and signed Amendment No. 2 continuing the contract with Jacobs to provide complete operation, maintenance and management services of the City's municipal water and municipal wastewater treatment facilities at a cost of \$1,030,359.

In June 2018, the City Council approved and signed Amendment No. 3 continuing the contract with Jacobs to provide complete operation, maintenance and management services of the City's municipal water and municipal wastewater treatment facilities at a cost of \$1,061,270.

In March 2019, the City conducted a condition assessment of the Water Treatment Plant and documented several deficiencies.

In May 2019, Jacobs requested an additional 3% increase in operational compensation for the for the operations, maintenance, and management services for the City to perform all administration and operations functions of the City's water and wastewater treatment facilities, an increase to \$1,091,108 for the 19/20 FY Budget. Council rejected the proposed amendment.

In August 2019, City staff presented an Operations and Administration services evaluation, identifying different options for WTP/WWTP Treatment services. Staff evaluated different contract operation firms, and options for taking over operations internally with City Staff.

In September 2019, City staff gave a presentation outlining 3 different timelines, indicating a potential path moving forward, 1.) Doing nothing (Status Quo) 2.), New Contract Operator for city treatment facilities, 3.) Take over the facilities internally.

On May 12, City staff presented a draft Request for Proposal for Operation and Maintenance of the Treatment Facilities for information purposes along with updated timeline for a New Contract Operator for city Treatment Facilities.

On May 26, Council approved posting the Request for Proposal for Operation and Maintenance of the Treatment Facilities to solicit a new contract operator. The RFP was posted May 27.

The RFP closed July 15. The City received proposals from Jacobs, Veolia, and Inframark. Staff completed proposal scoring on August 3. The ranking is 1st – Inframark, 2nd – Veolia, and 3rd – Jacobs. From August 4 to October 2 staff negotiated the attached mutually agreeable contract with Inframark.

Under the proposed contract the annual compensation is \$848,564 which includes \$70,000 for maintenance and repairs. This does not include utilities, chemicals, sludge disposal, or City oversight.

The Challenge/Problem:

How do we support, fund, and maintain an effective wastewater/water treatment operation of our facilities, while ensuring our wastewater/water rates remain affordable for community members of Sweet Home?

Stakeholders:

- City of Sweet Home. The City of Sweet Home has the legal obligation to operate and maintain the water and wastewater treatment facilities in a responsible, reliable, and cost-effective manner.
- City of Sweet Home Public Works Department. The Public Works Department recently hired qualified management with authorized certifications through the State of Oregon who can operate the water and wastewater treatment facilities. The operations, maintenance, and management agreement between the City and Jacobs provides staffing with professional water/wastewater certifications to operate the facilities as defined by the State of Oregon.
- City of Sweet Home Ratepayers. Ratepayers are the owners/customers of the municipal water and wastewater treatment facilities; with the expectation they are to be operated in compliance and efficiently. It is the ratepayers who ultimately bear all costs of operation.
- Jacobs. Jacobs is contracted by the City to operate and maintain all administrative and operational functions for the water and wastewater treatment plants.
- Oregon Department of Environmental Quality (DEQ). The Oregon Department of Environmental Quality is the regulatory agency ensuring compliance with the City's Wastewater Treatment Plant.

- Oregon Health Authority. The Oregon Health Authority is the regulatory agency ensuring compliance with the City's Water Treatment Plant.

Issues and Financial Impacts:

Public Works Department. The Public Works Department is responsible to oversee all budgetary costs and operational coordination between the City and contract operator to ensure the water/wastewater municipal treatment facilities are operated in compliance and efficiently. Under the proposed contract the annual compensation is \$848,564 which includes \$70,000 for maintenance and repairs. This does not include utilities, chemicals, sludge disposal, or City oversight.

Staff has also prepared a cost estimate for in-house operations. When comparing equivalent items, the cost estimate showed a savings by taking operations in-house versus contracting out. Shifting labor market conditions have made City-run operations more favorable.

Elements of a Stable Solution:

A decision from the City Council that provide efficient administration and operations of the City's water and wastewater treatment facilities. Provide staffing with professional water/wastewater certifications to continue to operate the facilities in compliance with state requirements.

Options:

1. Do Nothing. Not recommended. This will maintain the status quo. The Public Works Department has a single qualified staff member with authorized certifications through the State of Oregon who can operate the water and wastewater treatment facilities. Jacobs would continue to perform Operations of the WTP/WWTP.
2. Execute the contract with Inframark. This is the lower risk option at greater cost to the City. Inframark would provide certified staff upon project takeover.
3. Negotiate with 2nd-ranked proposer (Veolia). This would terminate negotiations with Inframark and initiate negotiations with Veolia. Veolia was very close in RFP scoring to Inframark.
4. Terminate the contract with Jacobs and initiate in-house administration and operations of the treatment facilities. This option is cost-effective. Current maintenance staff have expressed interest in transferring to treatment operations. This would allow us to develop long-term trained staff. The maintenance positions would be backfilled with new hires.

Recommendation:

First, Inframark has been professional and accommodating throughout the RFP and negotiation process. Staff has pushed them to be open to an unusual contract that is far from the industry norm in that it is essentially a labor contract only – the city pays the bills and oversees the general operating philosophy. They've been responsive and understating of our concerns and the issues we have faced.

That being said, the City Council's adopted mantra of doing the most good for the most people for the longest period of time and *the shift in the labor market the past seven months* leads staff to recommend Option 4, Terminate the contract with Jacobs and initiate in-house administration and operations of the treatment facilities. We believe it will be the most cost effective option for our rate payers.