



REQUEST FOR COUNCIL ACTION

Title: Jacobs CH2M/HILL/OMI Water/Wastewater Treatment Facilities Contract Amendment

Preferred Agenda: May 25, 2021

Submitted By: Steven Haney, Utilities Manager
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Reviewed By: Ray Towry, City Manager

Type of Action: Resolution ____ Motion ____ Roll Call X 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: Amendment No.4 Operations and Management for Sweet Home – Negotiated contract amendment

Purpose of this RCA:

To execute or reject the attached Jacobs CH2M/HILL/OMI (Jacobs) Operation and Management contract amendment

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, 2020 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, 2020 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 and closed July 15. The City received proposals from Jacobs, Veolia, and Inframark. Staff completed proposal scoring on August 3. The ranking was 1st – Inframark, 2nd – Veolia, and 3rd – Jacobs. From August 4 to October 2 staff negotiated a mutually agreeable contract with Inframark.

On October 13, 2020, Council determined it to be in the City's best interest to cancel the solicitation and proceed with in-house Facilities operations due to cost savings.

On December 7, 2020, staff began negotiating the demobilization agreement with Jacobs. On May 12, 2021, staff and Jacobs completed negotiations of the attached mutually agreeable contract amendment.

Under the proposed amendment:

- 1) States the contract will end on July 1, 2021 at 8:00 AM
- 2) Includes a Non-Disparagement Agreement
- 3) It includes a \$32,793.24 demobilization fee per the contract
- 4) It includes a 3% escalation to the base fee from \$1,061,270 (current rate) to \$1,093,108 (increase of \$31,838) for the 2020-2021 contract year.

The total City expense is \$64,631.24 to demobilize Jacobs.

Additionally, city staff negotiated the outstanding repair bill from 2019-2020 down to \$27,445 and set the pre-approved repair budget for 2020-2021 at \$60,000 above the \$30,000 repair cost that Jacobs absorbs.

Throughout April and May, staff have recruited to fill 5 operator positions. All 5 positions have been filled (3 internal and 2 external). City operators will begin job shadowing Jacobs starting May 20, 2021.

The Challenge/Problem:

How do we end our contractual obligation in a manner that is fair to both Jacobs and the City's ratepayers?

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. Public Works has recruited 5 operators (3 internal and 2 external).
- 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.

Self-performing operations will save the City +\$100,000 per year after the first year. The first year will likely include some additional capital expenses.

Elements of a Stable Solution:

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 feasible in our current situation. Jacobs would continue to perform Operations of the WTP/WWTP. At the same time, pursuant to Council's directive to initiate in-house operations, the City has hired 5 operators (3 internal, 2 external) to run the treatment facilities.
2. Reject the amendment and offer different terms. This would reopen negotiations with Jacobs.
3. Execute Amendment No. 4 with Jacobs. This will set the contract end date for July 1, 2020 and allow City run operations to begin.

Recommendation:

Staff recommends Option 3, Authorize the Mayor and City Manager to execute contract amendment #4 with Jacobs/CH2M/HILL/OMI and initiate in-house administration and operations of the treatment facilities beginning July 1st, 2021.