



City of Grand Island

Tuesday, February 12, 2013

Council Session

Item G11

#2013-34 - Approving Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation" with Black & Veatch; Rate Study Work

Staff Contact: Terry Brown, Interim Public Works Director

Council Agenda Memo

From: Marvin Strong, Wastewater Plant Engineer

Meeting: February 12, 2013

Subject: Approving Amendment No. 4 to the Agreement for Professional Engineering Services entitled “Wastewater Treatment Plant and Collection System Rehabilitation” with Black & Veatch; Rate Study Work

Item #'s: G-11

Presenter(s): Terry Brown, Interim Public Works Director

Background

City staff is nearing a milestone in a multi-year Collection System and Wastewater Treatment Rehabilitation Program, where a rate study review update would benefit in planning strategies for the forthcoming infrastructure projects.

In October 2011, the City embarked on development of a phased approach of planning, design, and construction to rehabilitate the Headworks Facilities at the Wastewater Treatment Plant and major sections of the City’s wastewater collection system. The rehabilitation of the Headworks Facilities includes replacement of the City’s existing Headwork’s Facilities (pumping, flow measurement, screening, and grit collection systems). The rehabilitation of the wastewater collection system includes a number of projects, most notably the replacement of the North Interceptor. The “North Interceptor” will replace aged gravity sanitary sewer, reduce or eliminate existing sewer pumping station(s), and provide additional capacity for existing, and new growth areas of Grand Island. Accompanying the collection system rehabilitation projects, a collection system model has been developed to evaluate the capabilities of the existing collection system and serve as a tool to develop a long-range master plan for the collection system. One particular focus on the master plan has been practical, reliable and cost effective gravity sanitary sewer interceptor.

At this time, City staff and our consulting engineers are in the final development stage of the construction bidding documents for the Headwork’s Improvements, and the North Interceptor Phase I work; the North Interceptor Phase II preliminary design development continues in coordination with the Capital Avenue Widening Project, and the South & West Interceptor rehabilitation projects and 5th Street Sanitary Sewer Replacement are currently bid, and proceeding into construction activities.

Discussion

With two major wastewater capital improvement projects bidding in the next three months, Public Works staff is requesting the Report on Revenue Requirements, Cost of Service and Rates for Wastewater completed in March 2011 be reviewed and updated. The Division, in recognition of the importance of financial planning for the revenue requirements in the construction, operating, and maintenance of facilities for collection, transportation, treatment, and disposal of the sanitary and industrial wastewater, recommends the update be completed to confirm the adequacy of projected revenue to meet the total requirements through the fiscal year ending September 31, 2018.

With the approval of Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation", City staff in conjunction with consulting engineer; Black & Veatch; will conduct analyses, opinion, and projection in with respects to conditions, events, and circumstances that may occur in multi-year improvement projects. Evaluate alternatives to effectively balance the often competing factors of bond coverage and fund balance requirements, revenue sufficiency, equitable cost recovery, stable and affordable rates, customer bill impact, and the use of industry standard methods and principles. The findings of the rate study update will be presented to the City Staff, and Council.

Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation" will add \$30,000 to the original agreement, and associated amendments in the amount of \$3,349,989 for a total agreement amount of \$3,379,989. Table A represents the cost breakout for Amendment No. 4 services.

Table - A

Task 6 – Wastewater Rate Study Update		
	Hours	Total Cost
Task 6.1 – Financial Planning	50	\$ 9,938
Task 6.2 – Conduct Cost Allocations and Rate Design Study	53	\$ 10,694
Task 6.3 – Prepare Report and Present to Council	28	\$ 5,368
Task 6.3 – Customer Correspondence	20	\$ 4,000
Total for Task 6 - Wastewater Rate Study Update	151	\$ 30,000

Note: Miscellaneous expenses are shown in Total Cost and not reflected independently.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve a resolution approving Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation".
2. Refer the issue to a Committee.
3. Postpone the issue to future date.

4. Take no action on the issue.

Recommendation

The result will provide assurance in adequate rate structure, and proformas for bond underwriting to the multi-year capital improvements program.

City Staff recommends Council approve Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation" in providing a review update to the Report on Revenue Requirements, Cost of Service and Rates for Wastewater completed in March 2011.

Sample Motion

Move to approve Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation".

AMENDMENT NO. 4
TO AGREEMENT BETWEEN
CITY OF GRAND ISLAND
AND
BLACK & VEATCH CORPORATION
FOR PROFESSIONAL SERVICES
FOR
Consulting Engineering Services for the WWTP and Collection System Rehabilitation

THIS IS AN AMENDMENT made as of _____, 2013 to the agreement between City of Grand Island (OWNER) and Black & Veatch Corporation (ENGINEER) dated October 17, 2011, and entitled Consulting Engineering Services for the WWTP and Collection System Rehabilitation. OWNER and ENGINEER agree to amend such Agreement as follows:

ARTICLE 3 – SERVICES TO BE PERFORMED BY ENGINEER

The scope of services for this amendment includes the following services:

1. **Wastewater Rate Study Update** – Financial planning, cost allocation, and wastewater rate design study.

The Scope of Services as described in Attachment A – Scope of Services shall be amended to include the following:

Task 6 – Wastewater Rate Study Update

ENGINEER will perform all aspects of updating the cost of service / rate study including the projection of revenues and revenue requirements, allocation of functional costs to cost causative parameters, the development of unit costs and the subsequent allocation of costs to customer classes, and finally the design of wastewater rates and charges.

In developing the financial plan, cost allocations, and rate design, ENGINEER will evaluate alternatives to effectively balance the often competing factors of bond coverage and fund balance requirements, revenue sufficiency, equitable cost recovery, stable and affordable rates, customer bill impact, and the use of industry standard methods and principles.

Task 6.1 - Financial Planning

ENGINEER will update the 5-year financial plan for fiscal year 2014 through 2018, which includes the determination of revenue under existing rates and revenue requirements. This analysis includes a plan for financing required capital improvements. The financial plan should generate adequate revenues to meet the operating and capital costs and provide for the financial stability of the wastewater system. The analysis will be conducted and modeled to provide for "what-if" scenario assessments, taking into consideration different assumptions related to growth, revenue, and expenses.

Task 6.2 - Cost Allocation and Rate Design Study

The cost of service analyses will take into consideration the functional aspects of operations and cost components such as wastewater contributed flow, infiltration/inflow, wastewater capacity, wastewater strength and customer related costs. The analysis will evaluate the existing system and the relative service requirements placed on the system by the different customer classes to fairly allocate costs based on services received.

ENGINEER will allocate costs proportionately to customer classes based on their respective service requirements and then proceed to the development of both cost of service based rates and practical rates that may be necessary to transition from current to cost of service based rates.

Task 6.3 - Report Update and Council Presentation

The results of the rate study update will be summarized in a report and submitted to the City for review and comment. One meeting is anticipated to discuss the results. The findings of the study will be presented to the City Council after draft review comments are addressed and the report is finalized.

Task 6.4 – Customer Correspondence

The results of the rate study update may modify rates for major industrial customers. As needed, the ENGINEER will assist the OWNER in the communication of the revised rates to these customers. A total of 20 hours of support has been allocated for these efforts.

ARTICLE 4 – COMPENSATION

4.1 The total amount of payments for services and Reimbursable Expenses Compensation in accordance with Attachment B-1, Compensation shall be changed from \$3,349,989 to \$3,379,989 representing an increase of \$30,000.

Schedule

The draft study update will be completed within 90 calendar days of receiving a notice to proceed. The final study will be submitted within 14 days of receiving final comments from the City.

All other provisions of the Agreement shall remain the same.

IN WITNESS WHEREOF, the parties hereto have made and executed this Amendment as of the day and year first above written.

OWNER:

ENGINEER:

CITY OF GRAND ISLAND, NEBRASKA

BLACK & VEATCH CORPORATION

By: _____

By: _____

Title: Jay Vavricek, Mayor

Title: Vice President

Date: _____

Date: _____

Attest: _____

Date: _____

RaNae Edwards, City Clerk

The Amendment is in due form according to law and is hereby approved.

Date: _____

Robert Sivick, City Attorney

RESOLUTION 2013-34

WHEREAS, Wastewater Division is in a multi-year Collection System and Wastewater Treatment Rehabilitation Program; and

WHEREAS, City staff in conjunction with City Administration recommends that a rate study audit would benefit in planning strategies for the infrastructure projects; and

WHEREAS, City staff has negotiated Amendment No. 4 with the consulting engineer; Black & Veatch in the amount of \$30,000 for the review to the "Report on Revenue Requirements, Cost of Service and Rates for Wastewater" completed in March 2011; and

WHEREAS, the revised agreement amount, including Amendment No. 4, is \$3,379,989.00.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Amendment No. 4 to the Agreement for Professional Engineering Services entitled "Wastewater Treatment Plant and Collection System Rehabilitation" is hereby approved; and

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such agreement amendment on behalf of the City of Grand Island.

Adopted by the City Council of the City of Grand Island, Nebraska, February 12, 2013.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
February 8, 2013	☐ City Attorney