



City of Grand Island

Monday, July 11, 2011

Study Session

Item -1

**Discussion on Wastewater Treatment Plant Contract Management
Request for Qualifications (RFQ)**

Staff Contact: John Collins, Public Works Director

Council Agenda Memo

From: John Collins, Public Works Director

Meeting: July 11, 2011

Subject: Discussion on Wastewater Treatment Plant Contract Management Request for Qualifications (RFQ)

Item #'s: 1

Presenter(s): John Collins, Public Works Director

Background

Through analyzing the City's Wastewater operations several deficiencies have been identified that would more than likely be best addressed through a management contract.

The City's Wastewater employees were hired to operate the treatment plant and perform routine maintenance, with these duties being performed well. Even major repairs and upgrades, that produce working solutions, are being handled by the current staff. Optimal results aren't always being reached however, leading to increased costs, odor and effort.

Discussion

The Public Works Department has done research on the possibility of contract management for the Wastewater Treatment Plant and has determined that in general there are significant advantages. It is believed that there would be a substantial savings each year through better decision making. The Wastewater staff does not have the expertise to make optimal choices, and we are not likely to build these skills with such a small group. Past efforts to address this consisted of various consulting contracts, but all fell short. The advantage of contracting with a management firm is that they operate dozens or even hundreds of treatment plants and can produce optimal results in a very short time.

Based on what has been found it is estimated that we would:

- reduce immediate operating costs as shown in my example; and
- reduce long term costs by optimizing decisions; and
- improve our decisions as we go forward with the \$44 million wastewater repair project; and
- reduce odor by optimizing operations.

It is understood that this concept was explored several years ago, thus worrying the staff. However, contract management is usually beneficial for most employees. Typically these companies:

- keep existing staff; and
- provide more and better training (giving employees more marketable skills); and
- provide more opportunities for advancement through their network of plants.

The City maintains control of the important factors, such as setting rates and defining outcomes, but still pays for large capital projects (such as our current \$44 million repair project). So the City still has control where needed.

The contractor handles the day to day operations, guaranteeing permit compliance, and even paying DEQ fines when they fail. They also pay all operating costs, even for small equipment like trucks. This removes the management intense function from the City, and makes costs more predictable.

All of this is typical, not specific for Grand Island.

Public Works Administration would like to advertise an RFQ to contract management of the treatment plant and pump stations. If after negotiations the benefits are as expected, the normal process of contract approval would be followed. If not, this effort would be abandoned and alternate solutions sought.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

It is the intent of City Administration to bring this issue to a future council meeting for approval of a negotiated contract.

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Wastewater Plant Management Contract

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Screw Pump



Events

- February 24, 20011, the coupling on one of three large screw pumps broke and damaged the gear box.
- March 16, 2011, the Wastewater staff submitted a request to purchase 2 submersible pumps for \$550,000.
- Utilizing submersible pumps in the small area where the screw pumps were located is problematic, setting off an investigation.

- Wastewater staff stated they thought the concrete may be damaged around the submerged bearing, and did not want to risk repairing or replacing the existing screw pump. They further stated the pump salesman confirmed the 2 submersible pumps would work in the area as it met the minimum requirements.
- An engineering evaluation revealed the submersible pumps would not function without substantial concrete work, which would raise construction cost to \$1.2 million.
- It further revealed there was no damage to the concrete and the repair cost would be around \$100,000.

Skilled Staff

The wastewater employees were hired to operate and perform routine maintenance, and do this very well. They operate far above the requirements of their job, regularly handling major repairs and upgrades as described above. However, they do not possess the skills to optimize their choices and/or minimize costs. Nor are we likely to build or acquire these skills with such a small group. Past efforts to address this consisted of various engineering contracts; but these attempts fell short of the desired results.

Wastewater Management Companies

- Optimize plant operations by utilizing expertise gained through years of operating dozens or even hundreds of these facilities
- Reduce our immediate operating costs (i.e. major repairs and such)
- Reduce long term costs by guiding our choices during the \$44 million repair program.
- Reduce odor by optimizing operation

Staff Concerns and Benefits

- These companies typically keep existing staff
- Provide more and better training (increasing the employee's skill level and value)
- Provide more opportunities for advancement (more plants, more positions)

Typical Division of Responsibilities

- City sets rates
- City defines outcome
- City pays for large capital improvements
- Company handles all day to day operations
- Company guarantees permit compliance, paying fines if they fail
- Company pays operating costs, even for trucks and such.

Firms

- American Water
- CH2M Hill
- Infrastructure Alternatives
- Severn Trent
- Siemens
- Southwest Water
- Veolia Water Solutions

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Discussion