

# Mayor and Council Communication

**DATE:** 11/17/20

**M&C FILE NUMBER:** M&C 20-0855

**LOG NAME:** 60M34SSIP1CO2-CIRCLEC

**SUBJECT**

(CD 9) Authorize Execution of Change Order Number 2 in the Amount of \$615,600.61 and the Addition of 150 Calendar Days to a Contract with William J. Schultz dba Circle C Construction Company, for Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements, Part 1, Provide for Project Costs for a Project Total Amount of \$6,374,925.61, Adopt Resolution Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt, and Adopt Appropriation Ordinance

**RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize execution of Change Order Number 2 to City Secretary Contract Number 53641 with William J. Schultz, Inc. dba Circle C Construction Company in the amount of \$615,600.61 and the addition of 150 calendar days to the Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements Part 1 project;
2. Adopt the attached Resolution expressing official intent to reimburse expenditures with proceeds from future debt for the Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements, Part 1 project; and
3. Adopt the attached Appropriation Ordinance adjusting appropriations in the Water and Sewer Commercial Paper Fund by increasing appropriations in the Water and Sewer Commercial Paper Fund in the amount of \$665,601.00 for the Main 4, 100, D100 Drainage Areas Sanitary Sewer Improvements Part 1 project (City Project No. C02397) and decreasing appropriations in the Unspecified Project (City Project No. UNSPEC) by the same amount.

**DISCUSSION:**

On February 18, 2020 Mayor and Council Communication (M&C 20-0096), the City Council authorized a contract with William J. Schultz Inc. dba Circle C Construction Company in the amount of \$5,745,825.00 for Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements Part 1 (City Project No. C02397).

The contract was subsequently revised by Change Order No. 1 in the amount of \$13,500.00 administratively authorized on August 3, 2020, that provided for installation of a wood box and tunnel and new piping to pick up sewer service lines under the Western Union building and the installation of a wood box tunnel to provide for the reroute of an old service line location underneath the building.

Change Order No. 2 will provide for the replacement of the deteriorated water main that was encountered on Commerce Street (E. 17th Street to 200 feet North of E. 11th Street) and the replacement of deteriorated sanitary sewer mains in the following alleys: Alley between Monroe Street and Taylor Street (W. 10th Street to W. 13th Street); Alley between Houston Street and Main Street (W. 2nd Street to W. 3rd Street) and Alley between Calhoun Street and Jones Street (E. 12th Street to E. 14th Street). The poor condition of these additional water and sanitary sewer mains was unknown prior to beginning construction of the project.

In addition to the contract cost, \$50,000.00 is required for project management, inspection, and material testing.

Funding for the Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements, Part 1 project is depicted below:

Fund	Existing Appropriation	Additional Appropriations	Project Total*
W&S Capital Fund 56002	\$146,941.00	\$0.00	\$146,941.00
Sewer Capital Fund - Legacy 59607	\$160,227.00	\$0.00	\$160,227.00
Water & Sewer Commercial Paper - Fund 56017	\$6,697,010.00	\$0.00	\$6,697,010.00
Water & Sewer Commercial Paper - Fund 56019	\$0.00	\$665,601.00	\$665,601.00
<b>Project Total</b>	<b>\$7,004,178.00</b>	<b>\$665,601.00</b>	<b>\$7,669,779.00</b>

\*Numbers rounded for presentation.

This project will have no impact on the Water Department's operating budget when completed.

This project is anticipated to be included in a future revenue bond issue for the Water and Sewer Fund. Available cash within the Water and Sewer portfolio and the City's portfolio along with the appropriation authority authorized under the Callable Commercial Paper Program (CP) will be used to provide interim financing for this project until debt is issued. To the extent resources other than the Water and Sewer portfolio are used to provide interim financing, the Water and Sewer Fund will be charged interest that is equivalent to the overall rate of return being earned by the City portfolio (currently approximately 2.3 percent annually). Should the City's portfolio not support the liquidity needed to provide an interim short-term financing source, another funding source will be required, which could mean issuance of securities under the CP Program or earlier issuance of Water and Sewer revenue bonds than is currently planned. Once debt associated with this project is sold, bond proceeds will be used to reimburse the Water and Sewer portfolio and the City's portfolio in accordance with the attached reimbursement resolution.

The City Council adopted the Water Department's Fiscal Year 2021-2025 Five Year Capital Improvement Program on September 22, 2020. This City Council approved plan includes this specific project, with funding identified through the CP program to be reimbursed with future revenue bonds. In accordance with the provisions of the Financial Management Policy Statement, staff anticipates presenting revenue-supported debt issuances to the City Council for consideration within the next three years. This debt must be issued within approximately three years to provide reimbursement for these expenses. If that does not occur, the costs will no longer be reimbursable by issuing tax-exempt debt and the funding source will have to be made whole through other budgetary methods. Adoption of this resolution does not obligate the City to sell bonds, but preserves the ability to reimburse the City from tax-exempt bond proceeds.

M/WBE OFFICE: A waiver of the goal for MBE/SBE subcontracting requirements was requested by the Department and approved by the OBD, in accordance with the MWBE or BDE Ordinance, because the purchase of goods or services is from sources where subcontracting or supplier opportunities are negligible.

The project is located in COUNCIL DISTRICT 9.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the W&S Commercial Paper Fund for the Main 34, 100, D100 Drainage Areas Sanitary Sewer Improvements, Part 1, project. Prior to any expenditure being incurred, the Water Department has the responsibility of verifying the availability of funds.

**Submitted for City Manager's Office by:** Dana Burghdoff 8018

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