

Mayor and Council Communication

DATE: 06/23/20

M&C FILE NUMBER: M&C 20-0463

LOG NAME: 60VCWRF MASTER PLAN UPDATE AMEND 3

SUBJECT

Authorize the Execution of Amendment No. 3 in the Amount of \$539,620.00 to an Engineering Agreement with CH2M Hill Engineers, Inc., for the Village Creek Biosolids Management and Beneficial Reuse Facility Project Owner On-site Representation, Adopt Resolution Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt and Adopt Appropriation Ordinance (COUNCIL DISTRICT 5)

RECOMMENDATION:

It is recommended that the City:

1. Authorize the execution of Amendment No. 3 to City Secretary Contract No. 50018, an Engineering Agreement with CH2M Hill Engineers, Inc. in the Amount of \$539,620.00, for a revised contract amount of \$1,145,199.00, for the Village Creek Biosolids Management and Beneficial Reuse Facility Project Owner On-site Representation (City Project No. 101961);
2. Adopt the attached Resolution Expressing Official Intent to Reimburse Expenditures with Proceeds of Future Debt for the Village Creek Biosolids Management and Beneficial Reuse Facility Project; and
3. Adopt the attached Appropriation Ordinance increasing estimated receipts and appropriations in the Water and Sewer Bond 2020A Fund, from available funds, in the amount of \$715,000.00 for the Village Creek Biosolids Management and Beneficial Reuse Facility Project.

DISCUSSION:

On November 14, 2017 (M&C C-28475), the City Council authorized an Engineering Agreement in the amount of \$282,822.00 with CH2M Hill Engineers, Inc., for the Village Creek Biosolids Management and Beneficial Reuse Facility Project Update. Amendment No. 1, in the amount of \$77,296.00, was administratively authorized on September 4, 2018, for additional wastewater solids process modeling work, long-term growth projections and additional alternatives analysis, as well as the preparation of an engineering feasibility report submitted to the Texas Water Development Board (TWDB) as part of a Clean Water State Revolving Fund (CWSRF) Loan application. Amendment No. 2, in the amount of \$245,461.00, was approved on February 12, 2019 (M&C C-29039) to develop the Request for Qualifications (RFQ) and Request for Proposals (RFP) as part of the procurement process for a design-build-operate contract for biosolids management project and responding to requests for information (RFIs) during the procurement process, for providing technical analysis and recommendations during the evaluation of vendor submittals and during the negotiation of the agreement.

On December 10, 2019 (M&C 19-0381), the City Council authorized Design-Build-Operate-Maintain Services with Synagro of Texas-CDR, Inc., for the Village Creek Water Reclamation Facility Biosolids Management and Beneficial Reuse Project including the Design-Build cost of \$58,001,558.00 for the construction of the new dryer facility. With construction to start in the near future, the City will require the use of this engineering firm to provide inspection, construction materials and testing, equipment testing and construction administration. CH2M Hill Engineers, Inc., will provide these services as part of Amendment No. 3 for a fee not to exceed \$539,620.00.

In addition to the contract amount, \$50,000.00 is required for contingency allowance and \$125,380.00 is required for project management and associated Water Department staff time.

Funding for the Village Creek Water Reclamation Facility Biosolids Management & Reuse project is as depicted in the table below:

Fund	Existing Appropriations	Additional Appropriations	Project Total*
WS Capital Project 2019 Fund 56016	\$245,461.00	\$0.00	\$245,461.00
WS Capital Project 2020 Fund 56018	\$60,000,000.00	\$0.00	\$60,000,000.00
W&S Commercial Paper Fund 56017	\$0.00	\$715,000.00	\$715,000.00
Project Total	\$60,245,461.00	\$715,000.00	\$60,960,461.00

*Numbers rounded for presentation purposes.

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

This project is included in a pending revenue bond issue for the Water & Sewer Fund. The Water and Sewer System has a Council-authorized system to allow it to initiate capital projects that will ultimately be bond funded, using available cash within the Water and Sewer portfolio and the City's portfolio, along with the authority under the Callable Commercial Paper Program (CP) to provide interim financing for this project until the

debt is issued. To the extent resources other than the Water and Sewer portfolio are used to provide interim financing, the Water & 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 approved the Water Department's Fiscal Year 2020-2024 Five-Year Capital Improvement Plan on September 17, 2019. This City Council approved plan includes this specific project, with funding identified through the CP program to be reimbursed with future revenue bonds. Debt must be issued within approximately three years of an expense being incurred in order to provide reimbursement. If that does not occur, costs are no longer reimbursable by issuing tax-exempt debt, and the funding source must be made whole through budgetary methods. Adoption of a reimbursement resolution does not obligate the City to sell bonds but preserves the ability to reimburse the City from tax-exempt bond proceeds. In this case, because the bonds that will provide the ultimate funding have already been authorized and sold (with a total interest cost (TIC) of 1.89%) but the closing has not yet occurred, what had been the Water & Sewer Commercial Paper Fund (56017) has already been renamed to reflect the bond sale.

M/WBE OFFICE: CH2M Hill Engineers, Inc., is in compliance with the City's BDE Ordinance by committing to eight percent SBE participation on amendment No. 3 on this project. The City's SBE goal on Amendment No. 3 on this project is eight percent.

This Project serves the entire City and is located in COUNCIL DISTRICT 5.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: CH2M Hill Engineers, Inc.

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 Water and Sewer Bond 2020A Fund for the engineering services for the future growth at the Village Creek Water Reclamation Facility Biosolids Management & Reuse project. Prior to any expenditure being incurred, the Water Department has the responsibility to validate the availability of funds.

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

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