



Legislation Details (With Text)

File #: ID19-11295 **Version:** 1 **Name:**

Type: Action Item **Status:** Agenda Ready

File created: 9/11/2019 **In control:** City Council

On agenda: 9/26/2019 **Final action:** 9/26/2019

Title: Actions pertaining to the Northeast Surface Water Treatment Facility 4.5-Million Gallon Tank and Improvements Project (Council District 6) (Bid File 3626-2):

1. RESOLUTION - Closing Resolution for execution of a \$14,000,000 Drinking Water State Revolving Fund low interest loan
2. ***RESOLUTION - 6th Amendment to the Annual Appropriation Resolution No. 2019-133 in the amount of \$3,770,600 to fully fund the construction of the Northeast Surface Water Treatment Facility 4.5-Million Gallon Tank and Improvements Project (Requires 5 affirmative votes) (Subject to Mayor's veto)
3. Award a construction contract to W.M. Lyles Co., in the amount of \$14,063,940
4. Approve a consultant services agreement with Jacobs Engineering Group in the amount of not to exceed \$437,800, for Services During Construction
5. Authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Attachment 1- Closing Reso.pdf, 2. Attachment 2 -AAR.pdf, 3. Attachment 3 - Bid Eval Fiscal Impact.pdf, 4. Attachment 4 - Sample Construction Contract.pdf, 5. Attachment 5 - Consultant Services Agreement.pdf, 6. Attachment 6 - Vicinity Map.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|---------|--------|
| 9/26/2019 | 1 | City Council | adopted | Pass |

REPORT TO THE CITY COUNCIL

September 26, 2019

FROM: MICHAEL CARBAJAL, Director
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THROUGH: BROCK D. BUCHE, PE, PLS, Assistant Director - UP&E
Department of Public Utilities - Utilities Planning & Engineering

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SUBJECT

Actions pertaining to the Northeast Surface Water Treatment Facility 4.5-Million Gallon Tank and Improvements Project (Council District 6) (Bid File 3626-2):

1. RESOLUTION - Closing Resolution for execution of a \$14,000,000 Drinking Water State Revolving Fund low interest loan
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3. Award a construction contract to W.M. Lyles Co., in the amount of \$14,063,940
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5. Authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno

RECOMMENDATIONS

Staff Recommends that City Council adopt a State Water Resources Control Board (SWRCB) Closing Resolution for execution of a \$14,000,000 Drinking Water State Revolving Fund (SRF) low interest loan to fund construction of the Northeast Surface Water Treatment Facility (NESWTF) 4.5-Million Gallon Tank and Improvements Project (Project); approve the 6th Amendment to the Annual Appropriation Resolution No. 2019-133 in the amount of \$3,770,600 to fully fund the construction of the Project from the Water Enterprise Fund; award a construction contract to W.M. Lyles Co., in the amount of \$14,063,940 for construction of the Project; approve a consultant services agreement with Jacobs Engineering Group (Jacobs) in the amount of not to exceed \$437,800, including a contingency of \$39,800, to provide Services During Construction (SDC's); and authorize the Director of Public Utilities, or designee, to execute all documents on behalf of the City of Fresno (City).

EXECUTIVE SUMMARY

Approval of this item by City Council will enable work for this essential Project to move forward while providing significant rate-payer savings by funding the Project through a SRF low interest loan and contributions from the Water Enterprise Fund. This Project will provide improved on-site and water distribution system operational flexibilities, improved customer level of service, and aid in meeting current and future water demands.

BACKGROUND

The NESWTF can currently produce up to 30-million gallons per day (30-MGD) of potable drinking water. During periods of high demand, the current 1.5-million gallon finished water reservoir restricts filter backwash operations, impairs operational recovery stemming from unanticipated shutdowns associated to water quality changes, and has limited storage available to support fire flow demands. The new 4.5-MG tank will resolve the current operational deficiencies and will be capable of supporting higher flow conditions when the NESWTF is expanded in the future.

To address these types of conditions, the Federal Safe Drinking Water Act Amendments of 1996 authorized the creation of a SRF program. On January 1, 2015 fund policy changes by the SWRCB were implemented and now provide funding for additional water infrastructure projects, which include water storage tanks as well as transmission and supply pipelines. Additional changes in annual application processes include opportunities to submit water infrastructure construction funding

applications throughout the year.

On March 23, 2017 City Council approved submission of a SRF low interest loan application for the Project.

The estimated loan amount for construction of this Project is \$14,000,000. Compared to an average standard bond interest rate of 5.5 percent, a typical SRF interest rate of 1.8 percent would result in a rate payer savings of approximately \$10,500,000 over a 30-year term. On July 18, 2017 the SWRCB issued a financing evaluation letter, outlining the SRF loan conditions for this Project. Although SWRCB policy does not provide reimbursement for project activities such as operation and maintenance, compliance monitoring, on-site irrigation systems, and facility fencing, loan conditions do allow for a potential one-time increase in funding for reimbursement of any eligible expenditures from November 26, 2016 and through Project duration. Non-eligible SRF loan costs of approximately \$1,700,000 and a projected shortfall of \$2,100,000 will be funded by the Water Enterprise Fund (total \$3,800,000). Additional SRF loan funding may be requested for eligible costs that could exceed the current approved loan amount of \$14,000,000 and the Water Enterprise Fund will be reimbursed for any expenditures that were up-fronted.

The Reimbursement Resolution and the Pledge Revenue Resolution for this Project were adopted by City Council on August 3, 2017. On March 7, 2019, in compliance with SWRCB policy changes, City Council approved a Revised and Amended Pledge Revenue Resolution changing “net” to “gross” revenues as the repayment vehicle in meeting loan debt service requirements.

Due to additional SWRCB policy changes, adoption of a Closing Resolution in accordance with SB450 (Government Code Section 5852.1), will enable the SWRCB to proceed in issuance of an executed funding agreement. The SWRCB Closing Resolution has been approved as to form by the City Attorney’s Office.

On February 26, 2019 staff received four submittals in response to a Request for Pre-Qualifications from contractors for construction of the Project under a standard design-bid-build format. On June 12, 2019 construction plans and specifications, created by Jacobs, were advertised on the City’s Planet Bids website.

On June 19, 2019 four pre-qualified contractors attended a City conducted mandatory pre-bid conference. On August 6, 2019 the City received three bids from contractors in response to the City’s solicitation for this Project.

The staff determination was posted on the City’s Planet Bids website on September 10, 2019 and found W.M. Lyles Co., to be the lowest responsive and responsible bidder. Staff recommends that City Council award a construction contract to W.M. Lyles Co., in the amount of \$14,063,940. The bid amount of \$14,063,940 is 7.9 percent over the engineering estimate of \$13,028,518.

A review of the lowest bid indicates costs associated with excavation work and large diameter onsite piping were higher than anticipated. The nature of the site improvements involves deep excavations between existing structures and requires extensive shoring in order for the construction work to be performed. This deep below grade work and tight working conditions appear to be a contributing factor for the higher costs. Additionally, there has been a recent merger of companies that manufacture large diameter pipe thus reducing the once competitive pricing for this item. This reduction of competitive west coast pipe manufacturing may also be contributing to higher than

anticipated cost.

As the Project Design Engineer, Jacobs will provide SDC's in the amount of not to exceed \$437,800, including a contingency of \$39,800.

ENVIRONMENTAL FINDINGS

The City's Metropolitan Water Resources Management Plan Update (Metro Plan Update) Environmental Impact Report (EIR), State Clearinghouse Number 2013091021 (SCH No. 2013091021), was prepared and adopted by City Council on June 12, 2014. The Metro Plan Update EIR is a project level EIR pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15168 and is tiered from the Master Environmental Impact Report (MEIR) (SCH No. 2012111015). An analysis was performed pursuant to CEQA Guideline Section 15162 to determine whether subsequent environmental review was required for this Project. It was determined that a Supplemental Mitigated Negative Declaration (SMND) was necessary to address the potential environmental effects for construction of an additional treated water tank. Addendum No. 1 to the SMND was necessary to address alternative on-site tank locations outside the originally assessed area that would provide additional hydraulic and operational benefits.

It has been determined that all applicable mitigation measures of the MEIR and Metro Plan Update have been applied to this Project, together with project specific mitigation measures necessary to assure that this Project will not cause significant adverse cumulative impacts, growth inducing impacts and irreversible significant effects beyond those identified, as provided by CEQA Section 15178(a). In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), staff has determined that no substantial changes have occurred with respect to the circumstances under which the MEIR and Metro Plan Update were certified, and that no new information, which was not known and could not have been known, has become available. Therefore, it has been determined based upon the evidence in the record that this Project will not have a significant impact on the environment and that the filing of the SMND and SMND Addendum No. 1 was appropriate in accordance with the provisions of CEQA Guideline Sections 21157.5(a)(2), 15178 (b)(1), and 15178 (b) (2).

This process included the distribution of requests for comment from other responsible or affected agencies and interested organizations. The State Clearinghouse submitted the SMND and SMND Addendum No. 1 to selected State agencies for review, and no comments or appeals specifically related to the SMND were received by the comment period closing date of May 20, 2017, and no comments or appeals specifically related to the SMND Addendum No. 1 were received by the comment period closing date of July 22, 2017.

On August 3, 2017, the City Council adopted the SMND dated April 2017 (Environmental Assessment No. E201710000114, SCH No. 2017041061), and SMND Addendum No. 1 dated July 2017 (Environmental Assessment No. E201710000187, SCH No. 2017041061) for this Project, and those CEQA documents are not affected by the adoption of this Closing Resolution. Notices of Determination for SMND and Addendum No. 1 to the SMND were filed with State Clearinghouse on August 16, 2017. Based upon these findings, it has been determined that no further environmental documentation is required for this Project.

LOCAL PREFERENCE

Local Preference was not implemented because this Project is federally funded.

FISCAL IMPACT

There is no impact to the General Fund. This Project is located within Council District 6. Funding is currently proposed to be from a combination of the following sources:

1. \$14,000,000 in SRF low interest loan proceeds for eligible costs.
2. \$3,800,000 in Water Enterprise funds for non-SRF loan eligible costs (\$1,700,000) and to cover any costs not available from SRF loan funding (\$2,100,000).

The plan is to request additional SRF loan funds from the SWRCB to cover all eligible costs. If approved by the SWRCB, staff will return to the City Council for authorization to accept the additional proceeds and to reimburse the Water Enterprise Fund for any up-fronted costs.

There is sufficient fiscal capacity remaining in the five-year utility rate plan that was approved by City Council on February 26, 2015 to pay for the debt service costs for this Project. All future fiscal year budgets will be developed and proposed to ensure that adequate debt coverage ratios and reserve funds are maintained for all existing and additional debt that is incurred.

Attachments:

- Attachment 1 - Closing Resolution
- Attachment 2 - Annual Appropriation Resolution
- Attachment 3 - Bid Evaluation and Fiscal Impact Statement
- Attachment 4 - Construction Sample Contract
- Attachment 5 - Consultant Services Agreement
- Attachment 6 - Vicinity Map