

CITY OF COOS BAY CITY COUNCIL
Agenda Staff Report

MEETING DATE July 7, 2015	AGENDA ITEM NUMBER
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TO: Mayor Shoji and City Councilors

FROM: Jim Hossley, Public Works Director

THROUGH: Rodger Craddock, City Manager

ISSUE: Consideration of Extending the Wastewater Operations and Maintenance Contract with CH2M/OMI

BACKGROUND:

The City has contracted with CH2M/OMI since 1996 to provide wastewater operation and maintenance services. The City's current contract with CH2M/OMI is set to expire June 30, 2016. Per the contract, 270 days prior to contract expiration the City needs to advise CH2M/OMI if the City intends to extend the contract. Under the existing contract, the Council can extend it up to an additional 5 years. The Council may also consider letting the contract expire and advertising a request for proposal from interested firms, or hire and use city staff to provide wastewater operation and maintenance services.

CH2M currently employs 14.5 Full Time Equivalent (FTE) personnel in Coos Bay to provide the maintenance services. Through the contract, the City also has access to wastewater specialist in other geographical areas to assist the local personnel. City staff explored the option for the City to hire employees to perform wastewater maintenance and operations of the treatment plants and the collection system. It was assumed that 14.5 FTE would be required for this work, plus 1 FTE added to the Finance Department to process the increased volume of wastewater maintenance invoices and provide personnel support to the additional employees. It is possible that due to the collective bargaining agreement, additional employees may be needed due to necessity to have personnel respond to wastewater issues 24 hours a day, 7 days per week. Additional expertise on specialized issues, for example specific operational challenges at a treatment plant and biosolids handling, would need to be contracted for in addition to consulting contracts we currently have. CH2M provides this additional expertise to the City from their personnel in offices in other parts of the state or country as part of the current contract costs.

ADVANTAGES:

Advantages to extending CH2M contract (until WWTP 2 construction is complete):

- Avoid need to potentially change operators during construction of WWTP 2
- Avoid need to prepare RFP that includes unknown scope of work for WWTP 2 operation and maintenance and may be difficult for contractors to provide accurate

- responses (minimizes change order).
- CH2M is offering monetary incentives for extending the contract.
- CH2M use of wastewater experts from around the country
- CH2M carries some of the risk in operation of the wastewater facilities
- CH2M maintains the challenging responsibility for recruiting qualified certified personnel
- CH2M labor costs aren't likely to increase as rapidly as the City's labor force

Advantages to allowing contract with CH2M to expire:

- RFP ensures the City is getting competitive priced cost for wastewater operation and maintenance services
- Contractor will likely have access to their own wastewater experts from around the country
- Contractor carries some of the risk in operation of the wastewater facilities
- Contractor maintains the challenging responsibility for recruiting qualified certified personnel
- Contractor labor costs aren't likely to increase as rapidly as the City's labor force

Advantages to hiring City personnel to operate and maintain the City wastewater system:

- A City maintenance crew may have the flexibility to perform work not clearly defined in the contracted services scope of work. City employees could be used for small wastewater projects the City currently contracts out.

DISADVANTAGES:

Disadvantages of extending CH2M contract:

- We do not know if we are getting the most competitive price for wastewater operation and maintenance services.

Disadvantages of allowing contract with CH2M to expire:

- May be problematic to the construction of WWTP2 if the operator changes during construction
- Unknowns related to preparation of that portion of the RFP scope of work related to operation and maintenance of the new WWTP2
- Potentially lose contract personnel with several years of experience maintaining and operating the City's wastewater system

Disadvantages to hiring City personnel to operate and maintain the City wastewater system:

- Will have to contract assistance from specialized wastewater experts when/if challenges arise
- City will assume all of the risk in operation of the wastewater facilities
- City will have the challenge of finding and recruiting qualified certified personnel (DEQ requires various certifications for personnel operating wastewater systems)
- City labor costs are likely to increase more rapidly than a contracted labor force
- Cost of using City personnel appears to be higher than using contracted services
- Potentially lose contract personnel with several years of experience maintaining and

operating the City's wastewater system

BUDGET IMPLICATIONS:

CH2M's direct cost for FYE 2016 is budgeted to be \$1,827,044. The direct costs include labor, benefits and estimated overtime. Other direct costs include, but are not limited to, chemicals, lab supplies, utilities, fuel, repairs and maintenance parts. CH2M's management fee is contractually 19% of the direct cost which means it could be as much as \$347,138 making the total cost (Base fee) as much as \$2,174,182. Actual base fee for FYE 2016 is expected to be at least 2.5% (approximately \$54,350) less. CH2M has made **two** proposals should the Council choose to extend the contract. The **first** is for a 3-year extension which may get through the construction of the new WWTP 2. With this extension CH2M would not change the contract scope with full operation and maintenance to current WWTP2 while assisting with construction of the new WWTP2 (\$12,600 direct labor savings); operation and maintenance processes of the new WWTP2 developed and documented to aid with preparation of future RFP; and 0% increase in the base fee for the first year of the 3-year extension. The **second** is a 5-year extension which includes items proposed in the 3-year extension with the exception they are offering a -1% (a reduction) in the base fee for the first year of the agreement resulting in just over \$33,000 in savings (includes the savings in the first option) .

The cost of preparing an RFP for a new operations and maintenance contract will be for staff time, work taken away from other projects, and costs for advertising. An RFP will have to be done either for next fiscal year or in another 5 years. Regardless this work will have to be done sooner or later.

The direct cost of using City employees is estimated to range from \$2,221,249 to \$2,354,611 per year using the FYE 16 wage scale. The range is 15.5 versus 17.5 FTE. The two values include a 15% contingency in the non-labor direct costs. The labor costs assume that all employees are at Step 4 in their seven step pay scale.

ACTION REQUESTED:

If it pleases the Council, consider the different options and direct staff how you wish to proceed. Staff recommends Council approve a 3-year extension of the CH2M contract.

Estimate cost of WW maintenance and operations using City staff

Position	FTE	Monthly salary, Step 4 for 1FTE	Cost of annual salary and benefits
WW Administrator	1	\$6,204	\$111,672
Lead Mntc Worker	2	\$4,041	\$145,476
Lab Tech	1	\$4,041	\$72,738
Finance Assistant	1	\$4,252	\$76,536
Secretary	0.5	\$3,431	\$30,879
Electrician	1	\$4,052	\$72,936
Mechanic	2	\$4,052	\$145,872
Mntc Worker 2	4	\$3,864	\$278,208
Mntc Worker 1	3	\$3,545	\$191,430
Sub Total	15.5		\$1,125,747
Annual OT estimate			\$37,502
Sub Total			\$1,163,249
If add'l crew necessary			
Mntc Worker 2	1	\$3,864	\$69,552
Mntc Worker 1	1	\$3,545	\$63,810
TOTAL (Max personnel)	17.5		\$1,296,611

Non Labor Direct Costs \$920,000

Direct Cost (with 15.5 FTE) \$2,083,249

Direct Cost (with 17.5 FTE) \$2,216,611

Contingency for unknown non-labor Direct Costs and specialty expertise (15%)

Direct Cost (15.5 FTE) with contingency \$2,221,249

Direct Cost (17.5 FTE) with contingency \$2,354,611