

CITY OF COOS BAY CITY COUNCIL
Agenda Staff Report

MEETING DATE February 16, 2016	AGENDA ITEM NUMBER
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TO: Mayor Shoji and City Councilors

FROM: Jennifer Wirsing, Wastewater Project Engineer

THROUGH: Rodger Craddock, City Manager *see*
Jim Hossley, Public Works Director *CH*

ISSUE: Recommendation for the Sewer Operation, Maintenance, and Management Provider

BACKGROUND:

Since 1996, the City has contracted with CH2M-OMI to perform sewer operations and maintenance (O&M) services for the two wastewater treatment plants, 24 pump stations, 93 miles of sanitary sewer, and 50 miles of storm sewer. At the end of this fiscal year, their contract will expire. On July 7, 2015, Council directed staff to prepare a request for proposal (RFP) for this scope and advertise for bid.

There were several steps to this process that included a mandatory pre-submittal meeting, a prequalification package submittal, a proposal package submittal, and a face to face interview. Due to the importance of this selection process and in order to aid the City Staff and represent the stakeholders during this selection process, a selection committee of five people has been formed. This Selection Committee consist of Steve Major with The Dyer Partnership (represents Bunker Hill Sanitary District), John Chirrick (Charleston Sanitary District General Manager), Bob Dillard (North Bend Public Works Director and private consultant), Jennifer Wirsing (City of Coos Bay Wastewater Project Engineer), and Jim Hossley (City of Coos Bay Public Works Director). It should be acknowledged that Steve, Bob, and John volunteered their time to the City and their input and collaboration is greatly appreciated and was invaluable to this process.

In total, the City received interest from two firms; Veolia and CH2M (the City's current provided of sewer O&M services). The selection committee met several times throughout this process and worked together to create the RFP, review the prequalification and proposal packages, and interview the two candidates. The Selection Committee graded and ranked the Prequalification Package, Proposal, and Interviews. Overall, the selection committee felt that CH2M provided the more robust proposal and offered the City more value. Below is a table that summarizes the general results of the Selection Committee's findings:

CATEGORY	CH2M	VEOLIA
PREQUALIFICATION PACKAGE	Has strong presence in Oregon and significant experience in Sewer O&M services. Overall the package followed directions of the requirements in the RFP.	Did not show strong presence in Oregon but has significant experience in Sewer O&M services.
PROPOSAL PACKAGE	Proposal provided the information requested. And it was presented in a clear and concise manner.	There were some aspects of the package that did not have the requested information.
INTERVIEW	Good presentation and presented the key team members that would be dealing with staff on a daily basis.	Presentation was adequate however they did not bring the project manager. The Selection Committee had no sense of the person who would be dealing with the City daily.

ADVANTAGES:

Based on the two proposals that were submitted, CH2M's proposal is more economically beneficial to the City when compared to Veolia.

DISADVANTAGES:

Staff sees none.

BUDGET IMPLICATIONS:

Potential budget implications are addressed in the attachments. Final budget implications and contract will be negotiated and presented to Council on March 16, 2016. The fee proposed by CH2M appears to be slightly less than the fee the City is paying under the current contract.

ACTION REQUESTED:

If it pleases the Council, direct staff to negotiate a contract for the operation, maintenance, and management of the City's sewer treatment and collection system with CH2M.

Attachments:

CH2M and Veolia's Fee Component
Fee Summary

Cost Comparison for Sewer O&M Providers
February 16, 2016

	CH2M	Veolia
2017 Proposal (Direct Cost)⁽¹⁾	\$1,027,272	\$1,133,563
Estimated Indirect Cost⁽²⁾	\$700,000	
Management Fee⁽³⁾	18%	16%
2017 Estimated Total	\$2,038,181	\$2,126,933
10-Year Estimated Total⁽⁴⁾	\$24,470,619	\$25,536,186

(1) Each consultant provided a Direct Cost that included labor cost based on 13 FTEs and non-labor costs such as maintaining offices (provide furniture, cleaning, etc.), provide and upkeep and replacement of office equipment and supplies, etc..

(2) Indirect Costs include petroleum, chemicals, utility bills, insurance, and repairs. These fluctuate year to year and will be negotiated with the contract. For the purposes of comparing the two proposals \$700,000 was assumed.

(3) The Management Fee will remain consistent for the duration of the contract.

(4) The base fee cannot increase more than the national consumer price index (CPI). For the purposes of this comparison the CPI was assumed to be 4% each year, through the year 2026 (the end of this contract).

Veolia – Understanding and Commitment

Veolia Water North America – West, LLC (Veolia), is pleased to present this Price Proposal (Fee Component) in response to your Request for Proposal (RFP), which incorporates our Technical Proposal and Statement of Qualifications response (which is included by reference). In our Pre-qualifications package as well as in our technical proposal, we demonstrated the range of expertise and experience that our firm will bring to this new partnership with the **City of Coos Bay**.

Veolia understands the commitment this project will require. We intend to be the direct contractor to the City and will not utilize subcontractors to deliver the core O&M services. We will, as we do under other contracts in the region, use preferred vendors (local when possible), suppliers and contractors in support roles.

Veolia's service to Oregon communities dates to 1980 and current projects in the State date to 2001 with the startup of the Wilsonville water plant operation. In addition to Wilsonville, Veolia has contracts with the Oregon cities of Gresham and Canby. We also provide sampling and monitoring services to the Portland General Electric site in Rainier, and we own a district cooling system that produces and supplies chilled water to the Brewery Blocks in Portland's Pearl District.

In terms of wastewater plants that are comparable to Coos Bay's, Veolia has 25 treatment plants in the 1.5-MGD to 3-MGD size range, with most being activated sludge facilities. We are experienced in the O&M of sequencing batch reactor plants having UV disinfection, and our location in Cle Elum, Washington, treats 3.6 MGD of flow, which we have operated in 100% compliance with all safety, regulatory and contractual requirements since startup in 2005.

In this volume we provide our price detail in compliance with the requirements of the RFP, and we demonstrate our commitment to providing the best value to the City of Coos Bay.

Pricing Detail

For this price proposal Veolia recommends the addition of one staff position, Utility Worker, to manage the additional scope associated with daily pump station checks. The Utility Worker will allow Veolia to ensure staff are available for 300 hours of potholing, 700 line-locates, 80 hours of extra catch basin and pool cleaning, and 80 hours of miscellaneous services. We believe this position is necessary to allow O&M Techs and Collections staff to focus on tasks that require specialty training, skills or experience.

The Utility Worker will conduct cleaning, painting, light maintenance task, grounds maintenance and will be a backup for tasks that, for safety reasons, may require two people. We would re-evaluate the need for this position after we implement our program to improve monitoring, conduct criticality reviews and condition assessments, and increase asset reliability of the pump stations. If the Utility Worker position is deemed unnecessary at a later date, we would expect to negotiate an appropriate fee reduction and staffing change with the City.

Proposed Fee	Notes
Operations	
• Labor assuming the City's FTEs	\$795,231
• Optional – Labor as Submitted by Proposer	\$0
• Non-Labor Costs	\$92,120
Collections	
• Labor assuming the City's FTEs	\$228,097
• Optional – Labor as Submitted by Proposer – Added one staff position of Utility Worker to free Operations and Collections crews from landscaping duties, painting, etc., for increased attention and inspection and City pump stations.	\$68,839
• Non-Labor Costs	\$18,115
Management Fee (Markup)	16%
Management Fee (Estimated)	\$192,384
Maximum Fluctuation Fee	Per the RFP, CPI for the Region is the Maximum Fluctuation Fee
Plant 2 Construction Support and Startup	\$0

Assumptions

Management Fee for Pass-Through Costs

Veolia does not believe pass-through costs paid directly by the City should have the same management fee applied as the core O&M services. We recommend a 10% administrative fee for costs that are paid by Veolia and reimbursed by the City and no mark-up for costs the City pays directly.

Fee Component

Our proposal is based on a long history of successful operation in Coos Bay, and we are confident in the accuracy and integrity of our numbers. We have carefully considered the Scope of Work detailed in the City's Request for Proposals. Our pricing approach is also backed by a 30-year history as one of the largest municipal contract operations companies in the U.S., which allows us to bring the City the same cost-saving approaches and efficiencies that we have developed for other municipalities.

Proposed Fee	Amounts	Notes
Operations		
Labor assuming the City's (13) FTEs	\$ 611,217	One lump sum expressed in dollars
Optional - Labor as Submitted by Proposer	\$ -	One lump sum expressed in dollars
Non-Labor Costs	\$ 77,633	One lump sum expressed in dollars
Collections		
Labor assuming the City's (13) FTEs	\$ 313,258	One lump sum expressed in dollars
Optional - Labor as Submitted by Proposer	\$ -	One lump sum expressed in dollars
Non-Labor Costs	\$ 25,164	One lump sum expressed in dollars
Management Fee	18.00%	Present this number as a percentage
Maximum Fluctuation Fee	100% of CPI for the West Region	Present this number as a percentage
Plant 2 Construction Support and Start up	\$ -	One lump sum expressed in dollars

Assumptions:

- CH2M is in agreement with the City's staff count of 13. We believe a lower staff count would result in incomplete delivery of the Scope of Work, reduced maintenance and increased risk to the City.
- Due to CH2M's ability to integrate the design of the new Plant 2 with operations and our team's knowledge of the City's system, we have not assumed any additional labor costs for our on-site staff during Plant 2's construction and start-up period.
- Until the new Plant 2 comes on-line, CH2M assumes the risk and responsibility for alternative methods of biosolids disposal, should that become necessary due to sudden failure of existing land owner agreements. This guarantee assumes no changes to regulation or administrative procedures that would affect the current program. The guarantee will be revisited with the City following acceptance of the new Plant and implementation of solids-train process changes at Plant 1. We anticipate that the volume and character of biosolids could be affected by these major changes.
- Our base fee assumes a continuing program of advanced asset management, to be developed in coordination with the City for improved risk management and capital planning. The majority of critical baseline activities will be completed in the current contract period, including full CMMS implementation, baseline condition assessment and a risk management workshop. Our continuing program includes annual condition assessment of critical equipment.
- Non-labor costs do not include petroleum, chemicals, utility bills, insurance or repairs.