



Legislation Text

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Department of Utilities

Reference: Presentation of the Proposed 10-Year Water Tank Maintenance Program

To: Mayor Richard N. McLean and Members of City Council

Through: Clint Blackhurst, Acting City Manager
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PURPOSE

To present a summary of the City's finished-water storage tank maintenance requirements, and to propose consideration of an alternative approach to meeting these requirements. Due to years of deferred maintenance, as well as increasingly stringent inspection and reporting requirements to the Colorado Department of Health and Environment (CDPHE), this is a significant task.

BACKGROUND

The city has four storage tanks within the water distribution system for the storage of treated water necessary to meet peak-hour demands of the system for high usage periods such as fire-fighting. These tanks hold a total of 17 Million gallons of treated water, and have a total estimated value in excess of \$30M. Steel tanks such as these should be considered to have a life span well in excess of 50 years, when appropriately maintained. Interior and exterior coatings of the tanks are probably the most critical of these maintenance issues. If the coatings start to fail, corrosion begins almost immediately and is difficult to control.

You may recall that Utilities staff made an inspection in 2015 of the 8.3 Million Gallon ground tank and discovered significant deterioration in its roof. The CDPHE also inspected, and required repair begin immediately. They approved a temporary repair that we were able to complete under their timeframe, with the understanding and intent that this tank would be fully re-habilitated during the winter of 2017 or 2018. Budgetary cost estimates for the work were obtained from three entities and we have budgeted \$3.1M for this work to begin as early as October 2017. Additionally, it was determined that the 3MG tank was in less than ideal condition and would also require more significant efforts than simply re-coating it, which justified another \$1.5M in the short-term Capital Improvement Plan (CIP). The remaining two tanks are in generally good condition and will require re-coating only if addressed in the next few years. Recently, the CDPHE increased the frequency of necessary inspections, requiring that the elevated tank be inspected within 30 days of the CDPHE's most recent Sanitary Survey of our distribution system. SEH Consultants was contracted to perform the inspection.

Subsequently, we requested additional cost estimates for the 8.3MG tank repairs from SEH. The quote came in better than our earlier estimates. These sorts of repairs typically only come with a one-year construction warranty. Knowing we

needed also to contract for annual inspections and maintenance activities we inquired about an extended warranty. The result is an opportunity to consider an extended maintenance contract which would accomplish all of the construction repair work, as well as the annual maintenance requirements, over a ten year period, effectively giving us a 10-year warranty on the construction work and resolving a significant amount of risk. Additionally, the payments would be spread out equally over a 10-year period substantially easing the CIP requirements and providing a very significant financial benefit. Perhaps most importantly, it allows us to meet the very tight timelines necessary to complete the critical items over the next two years if handled by multiple procurements involving multiple contractors and vendors.

Staff is not aware of similar tank maintenance contracts in Colorado, but is aware that SEH manages many of these sorts of contracts in other states, particularly Minnesota. We have discussed the concept with both Finance/Procurement and legal counsel and both have indicated a willingness to support a single-source contract to accomplish this goal. It would be extremely difficult to develop this concept into an RFP approach and solicit additional vendors utilizing this unique option, and would cause significant delay in the process.

FINANCIAL IMPACT

There is significant financial impact associated with the completion of the required improvements to the existing tanks over the next 1-3 years. These estimated costs are included in the Enterprise Cash Flow Model and CIP. However, the ability to spread these costs evenly over the next 10 years while simultaneously meeting the additional annual requirements in all 10 years, would provide a truly significant benefit.

STAFF RECOMMENDATION

There are significant benefits associated with the proposed 10-year maintenance program. Staff recommends the alternative annual maintenance contract approach be endorsed by Council and included in future budgets, due to its demonstrated positive effect on cash-flows and significant savings of time and staff resources.

OPTIONS FOR COUNCIL CONSIDERATION

No action is required at this time, but direction regarding willingness to consider this unique approach as a single-source opportunity is anticipated.

ATTACHMENTS

- Meter Tank Maintenance Program