



## Legislation Text

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**File #:** ID-258-17, **Version:** 1

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### *Department of Utilities*

**Reference:** A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRIGHTON, COLORADO, ACTING BY AND THROUGH ITS WATER ACTIVITY ENTERPRISE, FINDING THAT GOOD CAUSE EXISTS AND THAT IT IS IN THE BEST INTERESTS OF THE ENTERPRISE TO WAIVE ANY FORMAL BID PROCESS FOR CERTAIN WATER STORAGE TANK ENGINEERING, MAINTENANCE AND REPAIR SERVICES, AND APPROVING A MAINTENANCE AND REPAIR AGREEMENT INCLUDING PROFESSIONAL ENGINEERING SERVICES WITH SEH D/B, INC., IN THE TOTAL AMOUNT OF THREE MILLION SIX HUNDRED FORTY SIX THOUSAND DOLLARS (\$3,646,000), PAYABLE IN TEN ANNUAL INSTALLMENTS OF THREE HUNDRED SIXTY FOUR THOUSAND SIX HUNDRED DOLLARS (\$364,600) SUBJECT TO THE TERMS OF THE AGREEMENT; AUTHORIZING THE MAYOR TO EXECUTE SAID AGREEMENT ON BEHALF OF THE WATER ACTIVITY ENTERPRISE AND AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO CARRY OUT ITS TERMS FOR THE CITY; AND SETTING FORTH OTHER DETAILS RELATED THERETO

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

**Through:** Clint Blackhurst, Acting City Manager

Chontel Trujillo, Assistant City Manager of Operations

**Prepared By:** Curtis Bauers, Director of Utilities

**Date Prepared:** June 28, 2017

### **PURPOSE**

To provide an innovative and cost-effective solution to the City's finished-water storage tank repair, coating, inspection and maintenance efforts. Due to years of deferred maintenance on its tanks, as well as increasingly stringent inspection and reporting requirements to the Colorado Department of Health and Environment (CDPHE), the City has a significant task to face, but staff has identified a very effective alternative contracting opportunity to accomplish the goal. A summary of proposed Water Tank Maintenance Services was provided to Council in Study Session in spring, 2017. After additional consideration of the proposal and its benefits to the City, we have it for your consideration now.

### **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 late 2015 of the 8.3 Million Gallon ground tank and discovered significant deterioration in its roof. The CDPHE also inspected it, and required that 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 provided they are 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 much better than our earlier estimates. These sorts of repairs typically only come with a one-year construction warranty. Knowing we needed also to contract with someone 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 on all the tanks, 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 to the Water Activity Enterprise. 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 this would be exceedingly difficult.

When originally presented to Council, staff was not aware of similar tank maintenance contracts in Colorado, but it appears that several Colorado municipalities are now in line for these types of services. We are aware that SEH manages many of these sorts of contracts in other states, particularly Minnesota. We have included the Single-source justification detailing the benefits of this contract, and legal counsel has indicated support of a single-source contract to accomplish this goal. It would be extremely difficult and time-consuming to develop this concept into an RFP approach, in order to solicit additional vendors utilizing this unique option; and to take the unique business model presented by SEH, and turn it into our own scope of work for advertisement, would feel unethical. Further, the opportunity is lost as soon as any portion of the work is contracted separately, as no contractor will be willing to warranty someone else's work.

## **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. The 2017 appropriated budget includes \$3.1M to accomplish the first of the three tank repairs. The remaining estimated costs are included in the Enterprise Cash Flow Model and CIP. However, the ability to spread all of these costs evenly over the next 10 years, while simultaneously meeting the additional annual requirements for inspection and maintenance 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**

- Approve the attached Resolution as presented
- Deny the attached Resolution as presented
- Postpone consideration of the Resolution with suggested changes

## **ATTACHMENTS**

- Resolution
- Single Source Justification
- WTMS Summary Presentation
- Proposal from SEH
- Professional Services Agreement