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Title: Resolution to Establish a Contingency Budget for the Facilities Renovations Project at the Wastewater Treatment Plant (\$9,978,874.00)

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Date	Ver.	Action By	Action	Result
5/13/2013	2	City Council	Approved	Pass
5/6/2013	2	City Council	Continued	
4/15/2013	2	City Council	Postponed	Pass

Resolution to Establish a Contingency Budget for the Facilities Renovations Project at the Wastewater Treatment Plant (\$9,978,874.00)

We request your approval to establish a project contingency budget in the amount of \$9,978,874.00 to finance change orders for the Facilities Renovations Project (FRP) at the City's Wastewater Treatment Plant (WWTP).

The FRP consists of upgrading, rehabilitating and/or replacing the aging and deteriorating facilities at the WWTP, based on the results of extensive facilities master planning and community engagement. The oldest portion of the WWTP (West Plant) has exceeded its useful life and was taken out of service in 2006 due to its dilapidated condition. Replacement of the West Plant is necessary for the WWTP to reliably meet current and future wastewater treatment capacity requirements. In addition, the FRP includes miscellaneous renovations and improvements throughout the WWTP to maintain treatment viability and reliability.

On January 23, 2012, Council approved a Professional Services Agreement with Malcolm Pirnie, Inc. (MPI) in the amount of \$10,802,423.00 for engineering services to support construction of the FRP. On February 6, 2012, Council approved tentative award of a construction contract to Walsh Construction Company II, LLC (Walsh) in the amount of \$92,929,000.00 for construction of the FRP.

The action to tentatively award a construction contract was a requirement for obtaining a low interest loan to finance construction of the FRP from the State Revolving Fund (SRF) program administered by the Michigan Department of Environmental Quality (MDEQ). The language in the Council resolution for tentative award was mandated by the MDEQ and did not provide for Council to approve a project contingency budget. However, the SRF program allows contingency funding in the amount of 6% of the total loan amount for the project, or \$6,261,714.00. As a result, the total SRF loan

amount, which includes engineering, construction and contingency funding as allowed by the SRF program, is \$110,589,596.00.

Consequently, WWTP staff is now requesting Council approve the project contingency allowed by MDEQ under the SRF program in the amount of \$6,261,714.00, plus additional contingency funding in the amount of \$3,717,160.00, which is 4% of the project construction costs. The project contingency budget will total \$9,978,874.00, or 9% of the total SRF loan amount, and will be funded from the Approved Sanitary Fund Capital Budget and were included in the FY14-19 CIP, recently approved by the Planning Commission.

A 9% project contingency budget is prudent for a renovation project like this because the FRP project is a complex construction project that will extend over five fiscal years, and must be done without impeding the flow of wastewater into the WWTP or the plant's ability to effectively treat the flow in compliance with regulatory requirements. Consequently, there are extensive requirements for sequencing construction, coordinating shutdowns of treatment systems and start-up and commissioning of new equipment and systems. Additionally, numerous unforeseen conditions likely exist due to the extensive underground utility infrastructure dating back to initial construction in 1936 and the complex artesian aquifer located under the construction and excavation zones.

The Council resolution for tentative award included language to establish final award upon successful completion of financial arrangements with the SRF Program. The City chose to receive the SRF loan for the FRP in two segments rather than five annual segments, which allows the City to defer repayment of the majority of the loan principal until one year after completion of the FRP and to save on administrative costs for closing the loans. The first loan segment in the amount of \$37,000,000.00 was closed on April 10, 2012. Subsequently, the contract with Walsh was executed and the notice to proceed for construction of the FRP was issued on June 8, 2012. The closing for the second SRF loan segment in the amount of \$73,589,596.00 is to occur during September 2013.

FRP construction activities have begun and the project is moving forward on schedule. Demolition of the West Plant Chlorine Contact Chamber, Final Settling Tank 5 and the Administration Building is completed. The temporary administration field trailer and locker room facilities are installed and occupied. Installation of the south electrical duct bank and construction of the new East Plant Ferric Building is underway. All geotechnical instrumentation and 16 of 24 dewatering wells have been installed. Improvements to the earthen embankment along the Huron River are nearly complete and the concrete flood wall has been installed, which are required for the WWTP site to be recognized as out of the floodway and floodplain for flood insurance purposes. The current contractual final completion date for this project is September 4, 2017.

Prepared by: Michael D. Amicangelo, P.E., Senior Utilities Engineer, WWT Services

Reviewed by: Craig Hupy, Public Services Administrator

Approved by: Steven D. Powers, City Administrator

Whereas, The City's Wastewater Treatment Plant (WWTP) West Plant, originally built in the 1930's, has exceeded its useful life and was taken out of service in 2006 due to its dilapidated and inoperable condition;

Whereas, The City of Ann Arbor WWTP Facilities Master Plan identified various renovations that include demolition and replacement of the West Plant, and other improvements to the WWTP required to improve process reliability and enable the plant to meet current and future wastewater treatment capacity requirements;

Whereas, WWTP staff implemented the Facilities Renovations Project (FRP) to address the needed renovations at the WWTP;

Whereas, On January 23, 2012, Council approved a Professional Services Agreement with Malcolm Pirnie, Inc. (MPI) in the amount of \$10,802,423.00 for engineering services to support construction of the FRP;

Whereas, On February 6, 2012, Council approved tentative award of a construction contract to Walsh Construction Company II, LLC (Walsh) in the amount of \$92,929,000.00 for construction of the FRP;

Whereas, The language in the Council resolution for tentative award of the contract to Walsh was mandated by the MDEQ and did not provide for Council to approve a project contingency budget or a contract contingency amount;

Whereas, WWTP staff is now requesting Council approve the project contingency allowed by MDEQ under the SRF program in the amount of \$6,261,714.00, plus additional contingency funding in the amount of \$3,717,160.00, which is 4% of the project construction costs;

Whereas, The project contingency budget will total \$9,978,874.00, or 9% of the total SRF loan amount;

Whereas, Funding for the project contingency is available in the Approved Sanitary Fund Capital Budget and is included in the FY14-19 CIP, recently approved by the Planning Commission; and

RESOLVED, That Council approve a contingency amount of \$9,978,874.00 within the project budget for the FRP at the WWTP for the life of the project with funds to be available until expended without regard to fiscal year;

RESOLVED, That the City Administrator be authorized to approve change orders to the construction contract with Walsh Construction Company II, LLC, not to exceed \$9,978,874.00; and

RESOLVED, That the City Administrator be authorized to take the necessary administrative actions to implement this resolution.