

Legislation Details (With Text)

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Title: Discussion on Transfer Station construction at the Resource Recovery Park. (PWC 6-19-18)
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Attachments: 1. Transfer Station Funding PWC 6-19-18

Date	Ver.	Action By	Action	Result
7/12/2018	1	City Council - Regular Session	recommended for approval	Pass
6/19/2018	1	Public Works Committee	recommended for approval	Pass

Discussion on Transfer Station construction at the Resource Recovery Park. (PWC 6-19-18)

Question presented:

Which of the following three options would Council like the City Manager to pursue?

1. Stay the course on the original design knowing there may be a funding shortfall once bids are opened;
or
2. Allow Summit Waste Systems' (SWS) proposed design change knowing there may be a funding shortfall at opening of bids. Change includes:
 - relocation of Transfer Station on site
 - in-kind work for SWS
 ;or
3. Council declines to appropriate additional funding and authorizes the City Manager to proceed with Transfer Station project once SWS agrees to fund all costs in excess of the proceeds from the sale of the equipment (\$1.152M)

The City Manager seeks guidance from Council on the next steps to take for dealing with Transfer Station option in the operations management contract for the Resource Recovery Park and Related Facilities.

BACKGROUND:

The City decided to privatize the operations of the Resource Recovery Park (RRP) and entered into a contract on January 26, 2016 with Summit Waste Systems, LLC ("SWS"), a subsidiary of Heartland Environmental Services ("HES") which was the successful bidder for the contract. SWS took over operations of the RRP on March 1, 2016.

The agreement provides phases for performance of obligations and payment of compensation. The agreement also provides for the possibility of constructing a Transfer Station to be owned by the City and operated by SWS. The City's contribution was capped by the agreement to the amount the City received from the purchase of landfill equipment. SWS handled the sale of the equipment and the equipment was purchased by a third party for a net amount of \$1.15 Million. The City, with input from SWS, had its outside engineering consultant partially design the TS to a point that an estimate of the construction costs could be made. The estimate was \$1.991 Million. This exceeded the amount the City had available for construction.

The contract provides that if the TS will cost more than what was netted from the sale of the equipment that the two parties (City and SWS) would negotiate in good faith as to how the TS would be paid for. The staff and SWS have spent a lengthy time period attempting to negotiate how the shortfall of cost will be funded. Last summer Council generally directed staff that the City was not interested in spending more than what had been received from the equipment purchase. Since August 2017, staff has explored options with SWS of how the TS could be built with this fiscal restriction on the City's contribution. These options were developed based on comments by SWS as to what its needs and ability to influence the final costs were. This included the possibility of a land lease with SWS designing, constructing, and owning the building at SWS cost, SWS being responsible for the design and construction of the TS similar to a design/build arrangement, or SWS bidding the project out to allow it control over costs but being responsible for ongoing maintenance and repair throughout the rest of the contract. None of these options were ultimately acceptable to SWS for various reasons.

SWS was given the opportunity to attempt to develop an alternative design to the one the City had developed that would cost less. SWS provided the City with an estimate of out of pocket costs of \$1,596,107.00 with SWS providing in-kind service at no cost to the City of certain work totaling \$271,055.00. However, there are some items that SWS took out that would be included such as fencing, bollards, gates and light poles. Those total \$86,850.00.

Following the discussion, staff will ask the Committee to make a recommendation to the City Council on which option to pursue.

Bob Hartnett, Deputy Director of Public Works/Administration
Nancy K. Yendes, Chief Counsel of Infrastructure and Planning

Committee Recommendation: The Public Works Committee voted unanimously 4-0 to recommend to City Council to direct the City Manager to pursue Option #2.