Public Works Committee
Staff Report

To: Public Works Committee
From: H. Sid Fredrickson, Wastewater Supt.
Date: November 13, 2012
Subj: Judicial Confirmation

DECISION POINT:
Council may wish to authorize Ms. Danielle Quade of the law firm Hawley Troxell to act as our bond counsel in preparing a Petition for Judicial Confirmation to authorize the city to issue revenue bonds to finance necessary wastewater capital improvements.

HISTORY:
In December 2001 the city received judicial confirmation to issue revenue bonds for "ordinary and necessary" capital improvements to the wastewater treatment plant in the amount of $28 million.

This action allowed the city to secure low interest loans from the state to construct two major projects known as Phase 4B and Phase 5B. Phase 4B was completed in 2006 and Phase 5B was completed in 2011.

Idaho code allows cities to use two methods of entering into bonded indebtedness; a bond election or petitioning a district judge to find the requested projects to be "ordinary and necessary" and thus not required to comply with the requirements of Article VIII §3 of the Idaho constitution and authorizing the issuance of bonds.

Upcoming necessary capital improvements include advanced tertiary treatment to remove oxygen-depleting substances such as organic residuals, ammonia and phosphorus. These improvements will be constructed over a period of up to 5 or 6 years beginning in the spring of 2013. The early project, known as Phase 5C-1 will construct needed tankage and install filtration membranes to 1 million gallons per day (MGD) of capacity. The project will be operational in 2014. Assuming everything works as planned, the next phase, 5C-2, will take the capacity to 4.2 MGD and will be operational by 2018.

Attached is the anticipated timeline prepared by Ms. Quade.

FINANCIAL ANALYSIS:
We are anticipating that we will file for a state DEQ loan. It is uncertain if we will actually be offered a loan, but will try. We will be prioritized much higher by DEQ if we are in the process of seeking authorization to incur the loan.

As of this time the planning level cost estimate for Phase 5C-1 is $10,580,000 and Phase 5C-2 is $20,800,000 for a total of about over $31,380,000.

The amount will be finalized before the final resolution goes to council for approval after the public hearing.

PERFORMANCE ANALYSIS:
The new discharge permit issued by the EPA will place very stringent limits on all oxygen-depleting substances. While the draft permit anticipates a compliance schedule of up to 10 years, it places time limits for certain milestones. It requires that the city has awarded the construction contract for the full project by 5 years after the effective date of the permit. It will further require that the project has been completed by 8 years after the permit date. By 10 years after the permit date, the city must be in full compliance.

Failure to meet these, and other, milestones can lead the state and EPA asking a federal judge to issue a compliance order with an accelerated compliance timeline.

Failure to meet final permit limits can result in a fine of $37,000 per day per violation.

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HAWLEY TROXELL

CITY OF COEUR D'ALENE, STATE OF IDAHO JUDICIAL CONFIRMATION TIMELINE Idaho Code § 7-1301 et seq.		
DATE/ TIMING	**ACTIVITY**	**RESPONSIBILITY**
11/13/12 (4:00 p.m.)	Public works presentation re project and judicial confirmation process	City/Bond Counsel
11/20/12 (6:00 p.m. - regular meeting)	Council meeting to adopt resolution approving Notice of Hearing to consider a Resolution authorizing filing of Petition for judicial confirmation	City/Bond Counsel
On or before 12/2/12	Publication of Notice of Hearing including time and place of hearing and summary of matter (§§ 7-1304 and 7-1306(2)) *[Once, at least 15 days prior to public hearing] (Submit to Coeur d'Alene Press by ____)*	Bond Counsel
On or before 12/3/12	Service of notice by certified mail (to those requesting notice of all meetings pursuant to § 7-1304)*[At least 14 days prior to public hearing]*	Political Subdivision
12/18/12 (6:00 p.m. - regular meeting)	Public Hearing to determine whether Council should adopt Resolution to authorize filing of Petition (§ 7-1304)	Political Subdivision
1/__??2/13 (6:00 p.m. - regular meeting)	Council meeting to adopt Resolution to approve filing of Petition (§ 7-1304) [*Not Less than 14 days after Public Hearing]*	Bond Counsel; Underwriter/Bank
1/7/13	File verified Petition and obtain hearing date (§ 7-1304)	Bond Counsel
For 3 consecutive weeks prior to hearing on petition, in main news section (far forward)	Publication of court clerk's notice of filing of Petition (§ 7-1306)	Bond Counsel
At least 30 days prior to hearing on petition	Posting of notice of filing Petition at main door of administrative office of City (§ 7-1306)	Bond Counsel
	Preparation and filing of memorandum and supporting affidavits	Bond Counsel
Unknown	Discovery	Opposing Parties
	Hearing on Petition (§ 7-1308)	Bond Counsel
Following hearing	Judge's Decision	
42 days after judgment rendered	Appeal period expires (§ 7-1309)	

TIMELINE (As of November 6, 2012)

PUBLIC WORKS COMMITTEE
STAFF REPORT

DATE: November 13, 2012
FROM: David E. Shults, Capital Program Manager DES
SUBJECT: Purchase Agreement with GE for WWTP Phase 5C.1Tertiary Membrane Filter Assemblies

DECISION POINTS:

The City Council is requested to approve the specifications and the agreement with GE Water & Process Technologies, Inc. for supply of WWTP Phase 5C.1 tertiary membrane filtration equipment for a total cost of $1,558,950.

HISTORY:

A three phase construction program is planned over the next eleven years to allow compliance with mandatory regulations. Phase 5C.1 improvements are planned to provide earliest improvements needed to meet existing ammonia treatment requirements, and to initiate tertiary membrane filtration for phosphorus control. Phase 5C.2 improvements will provide additional tertiary membrane filtration and other process equipment needed for complying with new permit conditions for the current 4.2 million gallons per day capacity needs of the city. Phase 5C.3 improvements will add process equipment that will be needed for additional capacity needs up to the 20-year planning level capacity of 6 mgd.

The City Council authorized design of Phase 5C.1, and also authorized sole source procurement of the tertiary membrane filtration equipment from GE after successful demonstration in the low phosphorus equipment pilot program that was conducted over a two year period at the City's treatment facilities. HDR Engineering has completed design to the 60% level, and now must incorporate GE's specific equipment measurements and process strategies to allow HDR's project plans and specifications to be completed and ready for construction contractors to bid. Detailed shop drawings from GE are included in the scope of supply. HDR engineering and GE have worked together to develop acceptable features and scope of supply that will serve the City's long range needs. The plans and specifications developed by HDR for GE's equipment are available in electronic format which is included as an attachment with this staff report (242 pages.) It is also available in printed form at the Council office. Equipment and services include hollow core filtration units, backwash and strainer equipment, electronic process control equipment and programming, interconnecting pipes and valves, shop drawings, startup and acceptance testing services, training, and operator assistance. HDR and wastewater staff negotiated with GE to obtain acceptable terms of the contract and cost, and believe that they are fair and reasonable.

FINANCIAL ANALYSIS:

WWTP Phase 5C.1		
Planning and Design Engineering		973,555
Building Permit		50,000
Construction Engineering and Inspection		1,060,445
Prepurchase Tertiary Filtration Equipment		1,558,950
Construction Contractor		6,400,000
Contingency 5%		502,148
	Total	$10,545,098

Funding The city's current financial plan for FY 2012/13 authorizes expenditure of $7,000,000 for year 1 of the 2 year construction phase. Application for a low-interest loan from Idaho DEQ is anticipated for supplementing cash funding for this project.

DISCUSSION:

Pilot testing in Coeur d'Alene, and successful full scale use at larger treatment plants, has led to the City's selection of GE's submerged, reinforced hollow fibers for our choice of technology for satisfying treatment requirements. Sole source procurement from GE was advertised and approved according to Idaho code for several compelling reasons, including proven performance at Coeur d'Alene and other full-scale treatment plants, continued pilot testing and gathering of design criteria, use of specific staff training, expedience for obtaining vendor package design details for incorporating into HDR's Phase 5C.1 plans and specifications, and expedience for providing long-lead manufacture of equipment for earliest construction of Phase 5C.1. Entering into agreement with GE at this time is necessary to advance the project design and to assure that the components are manufactured in time for installation by the City's contractor. Construction of the concrete tankage and masonry building is anticipated to begin in the summer of 2013, with installation of GE's equipment in the latter part of the year.

DECISION POINT/RECOMMENDATION:

The City Council is requested to approve the specifications and the agreement with GE Water & Process Technologies, Inc. for supply of WWTP Phase 5C.1 tertiary membrane filtration equipment for a total cost of $1,558,950.

Attachment

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