



City Council Agenda Item

City Council Meeting Date: March 5, 2019

TO: Jim Throop, City Manager

FROM: Shaun Ryan, Acting Water Division Superintendent
s_ryan@ci.lompoc.ca.us

SUBJECT: Approval of Onetime Change Order Limit Increase for Citywide Water Division Sludge Hauling Services with Johnson Excavation, for the Fiscal Year 2018-19; Adoption of Resolution No. 6242(19)

Recommendation:

Staff recommends the City Council:

- 1) Approve a onetime Change Order Increasing Purchase Order No. C00400046 (PO) (Attachment 1) from \$148,000 to \$325,000 for Fiscal Year (FY) 2018-19 (see Attachment 2 for the original PO); and
- 2) Adopt Resolution No. 6242(19) appropriating the funds required for the onetime Change Order (Attachment 3).

Background:

The City's Water Treatment Plant (WTP) facility was originally designed and built in the 1962-1963 time period. The design utilizes open drying beds to physically separate the water from the waste product (commonly known as sludge at the WTP) before the water is recycled back to the head works of the WTP to be included in the water distribution system. The waste sludge is held in one of several drying beds until the material is dry enough to be loaded into a transport vehicle and trucked to the landfill.

Over the years since 1963, the increase in the City's population and water usage has required additional drying beds to be installed. However, as the City expanded, the WTP became impacted and ran out of room for additional drying beds. To continue to meet the needs of the City's customers, the City designed and built a dewatering facility at the WTP. The dewatering building houses four centrifuges, which mechanically separate the sludge into liquid (water) and solid (sludge) products. That mechanical separation reduces the water content of the sludge material significantly so that it can be hauled away to the landfill much more quickly as compared to the time it takes to dry naturally in the drying beds without the mechanical assistance provided by the dewatering system.

A failure of equipment in the dewatering facility at the end of calendar year 2016 forced WTP staff to dry the sludge material naturally without the mechanical assistance provided by the dewatering facility. Due to the quantities of water treated and the resulting sludge produced, the existing drying beds quickly became filled with wet waste sludge that required extended drying time before the sludge material could be trucked to the landfill. The result of the failure and the use of the drying beds for natural drying resulted in a significant gap in the ability to transport dry sludge to the landfill. Sludge hauling costs were less than budgeted each fiscal year from FY 2016-17 until the current FY 2018-19. This was due to the reduction in volume trucked to the landfill caused by the drying time for the sludge being greater than it had been while the dewatering system was operating.

The Water Division has a contract PO for waste sludge hauling services with Johnson Excavation Inc. Based on the historical level of services, the annual dollar limit on the PO is \$148,000 each fiscal year, with a three-year contract from July 2018 through June 30, 2021. The waste product from the City's softening process at the Water Treatment Plant is being consistently produced at all times the plant is in service. Proper and timely removal and disposal of the waste product, commonly known as sludge, is necessary for the City to be able to continue ongoing treatment of the City's drinking water. The PO includes costs for both the disposal of the waste product and the hauling of the waste product to the City's landfill (where it is beneficially used to reduce the amount of native soil needed for daily operations of the landfill).

Discussion:

After repairs were completed, the dewatering system was brought back online at the beginning of FY 2018-19. As a result, the WTP was able to return to the prior schedule of hauling the dewatered sludge and was also able to haul away the naturally dried material, resulting in greater quantities being hauled to the landfill than historically budgeted or provided for in the approved PO. The hauling catchup after the dewatering system was repaired resulted in the premature expiration of the existing PO funding before the end of FY 2018-19 with sludge still remaining at the WTP. The PO currently has no additional funding to allow processing of invoices for the hauling services.

The City's Munis financial management system, exactly as intended and designed to avoid expenditures in excess of budgeted appropriations, automatically flagged the PO limits and forced a stop in processing additional invoices until there is a change order in place to allow the additional expenditure of funds. The PO originally did not meet the threshold requiring City Council approval, however the contract was awarded based on competitive bids. With the extra work due to the failure of the dewatering system, the PO change order requires City Council approval as well as approval of a budget amendment to provide for the additional appropriations for sludge hauling. It is anticipated after this year's "catch up" the level of services and appropriations will return to the approximate \$150,000 annually as budgeted historically.

The PO did not anticipate the failure of the dewatering system resulting in the temporarily larger supply of sludge in the WTP drying beds. While the contractor is able to haul the additional volume of sludge, the initial PO amount for FY 2018-19 is inadequate for the

level of services needed to get back to normal operations after the dewatering system was repaired and became operational. Between the greater amount of sludge material and the greater hauling capabilities of the vendor, the City exhausted the sludge hauling limit of the PO much faster than anticipated.

Fiscal Impact:

Purchase orders in excess of \$175,000 including change orders, require City Council approval per Lompoc Municipal Code Section 3.36.030. The continued excavation and disposal of the remaining drying beds, as well as disposal of mechanically dewatered sludge will continue through FY 2018-19. Currently three of the six drying beds have been emptied of sludge, and once the last of the drying beds are emptied the normal expected annual sludge hauling amounts will be reinstated. The Water sludge hauling professional service account was under budget between 2015-16 and 2017-18 by \$140,000 due to the failure of the dewatering system. There is a need for supplement appropriation to 751WDW-534190 of \$177,000 to finish the fiscal year 2018-19.

Conclusion:

Approval of the requested onetime Change Order increasing the FY 2018-2019 sludge hauling contract from \$148,000 to \$325,000, and appropriation of funding with Resolution No. 6242(19), are necessary in order to remove the backlog of dried sludge at the WTP.

Respectfully submitted,

Shaun Ryan, Acting Water Division Superintendent

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Brad Wilkie, Utility Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jim Throop, City Manager

Attachments: 1) Onetime Change Order to PO No. C00400046
2) PO No. C00400046
3) Resolution No. 6242(19)