

ITEM #: 18
DATE: 01-24-23
DEPT: W&PC

COUNCIL ACTION FORM

**SUBJECT: PLANS AND SPECIFICATIONS AND NOTICE TO BIDDERS FOR
NORTH RIVER VALLEY WELL FIELD AND PIPELINE PROJECT**

BACKGROUND:

The City's source water management strategy since the mid-1970s has been to avoid a need to ration water when experiencing a drought similar to that experienced in 1975-76. As old wells fail and need to be replaced, and as demand for treated water increases, additional water supply wells must be constructed.

The North River Valley Well Field and Pipeline Project will provide a combination of new and replacement water supply capacity. The potential for a productive aquifer formation in the flood plain to the north and east of the Skunk River was identified through detailed hydraulic modeling, which was subsequently confirmed by drilling test wells. Water quality was also tested, which confirmed the absence of PFAS compounds, and found the groundwater to be suitable as a drinking water supply.

The project will construct three new wells and interconnecting pipeline to the Water Treatment Plant. It will also include new fiber optic communication conveyed to the Water Treatment Plant for well controls and security measures. **The three new wells, to be located north of North River Valley Park, will be connected to the existing standby generator located at the Water Treatment Plant to provide emergency power to the wells.**

On June 28, 2016, City Council awarded a contract to HDR Engineering for design of the new water wells. The final design is complete, and the Iowa Department of Natural Resources has issued a construction permit. Staff is ready to re-issue a Notice to Bidders. The Engineer's estimate of probable construction costs is \$5,596,980.

This project was bid previously, but the bids that were received were significantly greater than the Engineer's estimate, predominately due to the electrical work required. The project engineer believes now is a better time to bid the project in order to receive more favorable bids.

The authorized funding is summarized below.

TOTAL PROJECT FUNDING

Water Fund	
Prior Years	\$ 671,540
FY 2022/23 Adjusted	653,279
Drinking Water SRF Loan	6,508,000
Total Available Funding	\$ 7,832,819

When the project was originally budgeted, it was intended to be funded entirely from the Water Fund. When the costs increased, staff switched the construction portion to a Drinking Water SRF loan. Since procurement of the early expenses did not include the required SRF front-end language, staff is unsure if they will be eligible expenses under the SRF program. Staff intends to submit all expenses for inclusion in the SRF loan. However, the rate projections assumed that the early expenses would be deemed ineligible and are shown coming from the Water Fund as a “worst case” scenario.

The updated project budget is shown below.

TOTAL PROJECT EXPENSES

Test Drilling	\$ 43,127
Engineering, Legal, Admin	
Previous Years	509,662
Remaining	217,706
Land	109,038
SRF Loan Origination Fees (0.5%)	42,500
Construction (Engineer’s Estimate)	5,596,980
Contingency (~15%)	980,987
Total Project Expenses	\$ 7,500,000

A Drinking Water State Revolving Fund (DW SRF) loan in the amount up to \$8,500,000 has been identified as the funding source for the construction of these new wells. Repayment of the loan will be from water utility revenues. The not-to-exceed loan amount was established to cover potential cost increases and change orders; the City will ultimately borrow only the amount actually needed to fund the project.

ALTERNATIVES:

1. Approve plans and specifications and issue a Notice to Bidders, establishing March 3, 2023 as the bid due date and March 14, 2023 as the date of public hearing.
2. Do not approve the plans and specifications and a Notice to Bidders.

CITY MANAGER'S RECOMMENDED ACTION:

The most cost-effective location for constructing the next well field has been identified in the flood plain north of East 13th Street and east of the Skunk River. Constructing the new wells will provide for replacement capacity as old wells fail as well as securing additional source water capacity for future growth. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.