



THE CITY OF KEY WEST

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MEMORANDUM

TO: Bogdan Vitas, City Manager

Cc: Mark Finigan, Asst. City Manager
E. David Fernandez, Asst. City Manager-Operations

FROM: Jay Gewin, Utilities Manager

DATE: October 21, 2013

SUBJECT: **Selection of CH2M Hill/OMI from RFP 09-13 to Operate, Maintain and Manage the City's Wastewater Treatment Plant, Wastewater Collection System and Lift/Pumping Stations, and Stormwater Collection System and Pumping Stations. Directing the City Manager to Execute a Contract in Substantial Form to the Contract Included in the Bid Documents.**

Action statement:

This resolution will select CH2M Hill/OMI from RFP 09-13 to operate, manage, and maintain the City's Richard A. Heyman Environmental Protection Facility (Wastewater Treatment Plant), our wastewater collection system and lift stations, and stormwater collection system and pumping stations. This resolution will also direct the City Manager to execute a 5-year contract in substantial form to the document included in RFP 09-13, and have the City Attorney's office review the contract prior to the City Manager's signature.

Background:

The City of Key West has contracted out the management and maintenance of our sewer system since the completion of the Wastewater Treatment Plant in the late 1980's. The stormwater system was added to this contract over 20 years ago. These services were contracted out due to the technical expertise required to administer these types of essential infrastructure, a strategy which has proven successful for the City over time. We have won numerous awards from different state agencies for our effective utility management.

The current contractor for these services is CH2M Hill/OMI. This firm has had a relationship with the City that dates back approximately 25 years. The contract is based in an innovative "cost plus" formula. The City sets the annual fee with the contractor based on actual cost. This includes staffing,

Key to the Caribbean – Average yearly temperature 77° F.

replacement parts and equipment under \$5,000, training, utility costs, and other expenses that are directly related to the operation, maintenance and management of our sewer/stormwater infrastructure. The City has audit provisions that allow us to track and monitor expenses under terms of the contract. The contractor is then allowed a management fee (currently 15.75%) that is added to the direct cost of the project. This management fee is intended to include corporate administrative services, profit, and other expenses that aren't directly related to the administration of the Key West program locally.

This contract is the largest contract administered by the City of Key West, at approximately \$5.55 million per year. The current contract is for five years, with two additional five year options (which have both been executed) expiring in March of 2014. The City approved a task order for Black and Veatch to prepare bid documents, and assist the City through the bidding process, including providing a background and reference check of applicants. (Resolution 13-096)

Purpose & Justification:

Three firms submitted bids that were opened by the City Clerk on October 2, 2013. These included:

- Operations Management International (CH2M Hill/OMI)
- US Water Services Corporation
- Severn-Trent Environmental Services, Inc.

A Ranking Committee reviewed the qualifications of the three submittals according to the criteria as stated in the RFP. The Committee consisted of Utilities Manager Jay Gewin, Asst. City Manager David Fernandez, Asst. City Manager Mark Finigan, and Naval Air Station Key West Business Manager Ron Demes. The Committee met on October 16th at an advertised public meeting, and the scores were tabulated as follows:

CH2M Hill/OMI	739
US Water Services Corp.....	617
Severn-Trent Environmental Services.....	551

Black and Veatch reviewed the submittals of all applicants, and found their proposals each to be responsive with good references and solid financial standing. Once the qualifications were ranked, each firm was also given a number of points based on their proposed management fee, which was opened in a separate sealed envelope.

Based on the recommendation of the Ranking Committee, City Staff recommends that the City Commission direct the City Manager to execute a new 5-year contract with CH2M Hill/OMI in substantial form with the contract included in the bid documents, under the review of the City Attorney's Office.

Options:

1. The Commission can approve the selection of CH2M Hill/OMI as recommended by the Ranking Committee. The committee conducted a thorough review of the proposals, and determined CH2M Hill/OMI to be the most qualified firm to provide these essential utility services.

The City has partnered successfully with CH2M Hill/OMI for a number of years, providing excellent customer service for our residents and businesses, maintaining our infrastructure in top working order, showing a commitment to our environment and our nearshore waters, and doing so in a budget-conscious manner.

2. The Commission can select a different firm than the one recommended by the Committee. This option is not recommended, as the Ranking Committee consisted of individuals with solid experience in both wastewater, stormwater, and procurements, and they found that CH2M Hill/OMI to be the most qualified respondent.
3. The Commission can request that the firms submitting bids be invited to make a presentation at a future City Commission meeting before selecting a firm.
4. The Commission can reject all submittals and re-bid the contract. This option is not recommended as the ranking committee and the City's consultant found that all firms were considered responsive with solid financial standing. There is no reason to believe that re-bidding the contract would elicit a different response or a lower management fee.

Financial Impact:

Funds for this contract are budgeted as follows for FY 2014:

Sewer line item (401-3504-535-34).....	\$4,929,240
<u>Stormwater line item (402-3804-538-34)</u>	<u>\$ 622,425</u>
TOTAL -	\$5,551,665

The contract is based on a true cost to operate, manage, and maintain our sewer and stormwater infrastructure, plus a management fee. Under the new contract, the management fee will drop from 15.75% to 13.75%. This will equate to a savings of approximately \$45,000 this year, and could represent an approximate \$100,000 savings next year, and in future years of the new contract.

Recommendation:

City Staff recommends that the City Commission follow the recommendation of the Ranking Committee, and direct the City Manager to enter into a contract with CH2M Hill/OMI for operation, management, and maintenance of the City's WWTP, sewer and stormwater collection systems and pump stations.