



THE CITY OF KEY WEST

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MEMORANDUM

EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
E. David Fernandez, Asst. City Manager

FROM: Jay Gewin, Utilities Manager

DATE: July 22, 2011

SUBJECT: **Approving a Deferred Utility Relocation Expense Reimbursement Agreement with the Florida Dept. of Transportation in the Amount of \$1,989,020.88 for the North Roosevelt Sewer Force Main Project. Authorizing the Expenditure of this Sum from the City's Sewer Utility.**

ACTION STATEMENT:

This resolution will approve the City entering into a Deferred Utility Relocation Expense Reimbursement Agreement with the Florida Dept. of Transportation in the Amount of \$1,989,020.88. It will also authorize the expenditure of this sum from the sewer utility budget.

BACKGROUND:

The Florida Department of Transportation (FDOT) is planning road improvements to North Roosevelt Boulevard as part their 5 year capital improvement plan. The City of Key West is utilizing this opportunity to increase wastewater conveyance capacity to the Richard A. Heyman Environmental Protection Facility (WWTP) by installing a 24 inch force main along North Roosevelt Boulevard from Georgia Street to 14th Street/Glynn Archer Dr.

Resolution 10-232, passed and adopted by the City Commission on August 3, 2010, approved the acceptance, authorization and execution of a Utility Work by Highway Contractor Agreement in the total amount of \$1,931,672.06 for the installation of 24 inch sewer force main along North Roosevelt from Georgia Street to Kennedy Drive. The FDOT will oversee the construction of the

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

sewer force main during its North Roosevelt Blvd. project, and the City agreed to prepay FDOT for the work.

The project limit was extended past Kennedy Drive to 14th Street in order to connect to the new 14th Street force main in the amount of \$221,555.16, which increases the agreement amount to \$2,153,227.22. (City Commission Resolution 10-355, December 8, 2010) The City has paid FDOT this additional sum. This figure was based on the engineering estimate of APCT Engineers, the firm hired by FDOT that the City was required to utilize for the project.

PURPOSE & JUSTIFICATION:

When FDOT bid the North Roosevelt Force Main project, the low bid greatly exceeded the engineers' estimate by the amount of \$1,989,020.88. (Total Bid - \$4,142,248.10) Due to the high bids, the City was given the option of proceeding with the project itself, which would require the City to complete its work prior to FDOT initiating theirs.

The City then requested that DN Higgins provide a quote for the project based on our General Services Contract. Upon thorough examination, DN Higgins did not believe their quote would be much lower than the low bidder from FDOT, if at all.

The City also requested a construction estimate from CH2M Hill for the North Roosevelt Force Main project. Their estimate was closely in line with the low bidder from FDOT.

It is important for the City to proceed with the North Roosevelt Force Main project. We have already completed the sewer line on 14th St./Glynn Archer Dr. that will connect into the North Roosevelt line. Additionally, the tie-in work on White St. has been completed, along with engineering work to upsize Pump Station F. The City has already expended over \$1.2 million in construction and engineering work in anticipation of the North Roosevelt line, which will greatly enhance our wastewater collection system capacity and efficiency.

In order to minimize the financial impact of the unanticipated high cost of the bid to the sewer fund, the City approached FDOT about a loan for the \$1,989,020.88 beyond the sum that the City has already paid to the State. FDOT is offering the City a loan called a Deferred Utility Relocation Expense Reimbursement Agreement that would require the City to repay this amount by 2016. Should the City pay off the loan prior to FDOT spending the \$2,153,227.22 that the City has already contributed, there would be no interest charged.

City Staff will closely monitor our budget and reserves, and will plan on paying off this loan at a rate that will avoid us having to pay interest charges.

OPTIONS:

1. The City could decline the loan and proceed with the project by paying FDOT immediately. This option is not recommended because it would result in the City's unbudgeted expenditure of \$1,989,020.88 from reserves in one year.
2. The City could cancel the project. This option is strongly not recommended by City Staff because the North Roosevelt force main represents an essential

component of our wastewater capacity expansion project. Additionally, the City has already spent over \$1.2 million in construction and engineering work in anticipation of this project.

3. The City could proceed with the project independent of FDOT. This option is not recommended by City Staff because there is no reason for us to believe that we could complete the project at a lower cost independently. We also would have to rush to complete our project before FDOT is scheduled to begin their work in April, 2012. This would result in construction work beginning during our busier season for visitors. The City could also be susceptible to penalties from FDOT should delays in the City's work cause a delay in FDOT's construction schedule.
4. The City could proceed with the North Roosevelt Force Main project in partnership with FDOT, and utilize the Deferred Utility Relocation Expense Reimbursement Agreement to spread the impact of the loan on the sewer fund over multiple years. This option would also authorize by the City Commission the additional \$1,989,020.88 expenditure. This option is recommended by City staff.

FINANCIAL IMPACT:

The total cost to the City will be \$1,989,020.88 in addition to the \$2,153,227.22 the City has already paid to FDOT. Staff has spread the impact of this figure over three years in the FY 2012 Sewer Rate Model. Funds will be charged to budget line item 401-3503-535-65/SE0901.

RECOMMENDATION:

The staff recommends option # 4, that the City Commission authorizes the additional \$1,989,020.88 expenditure to FDOT for the North Roosevelt Sewer Force Main project, and authorizes the City to enter into the Deferred Utility Relocation Expense Reimbursement Agreement with FDOT.