



City of Flagler Beach

PO Box 70 105 South 2nd Street
Flagler Beach, Florida 32136

Phone (386) 517-2000. Fax (386) 517-2008

MEMORANDUM

From: William R. Whitson, City Manager

A handwritten signature in blue ink, appearing to read "William R. Whitson".

To: Mayor & City Commission

Subject: Flagler Beach Wastewater Treatment Plant Strategic Action Plan

Date: May 23rd, 2022

General Background:

In a presentation to the Commission in June 2021, the Opinion of Probable Construction Cost for the BNR Improvements to the Flagler Beach Wastewater Treatment Plant (WWTP) was approximately \$15.4 million. The City was approved for a State Revolving Fund (SRF) loan for the BNR improvements in August 2021 (\$12 million max per year funding – multi-year funding availability for this project). If the City needed additional funds to construct the Project, the SRF Program will allow up to an additional \$12M in funding next fiscal year (2022/2023). Additional project funding is subject to a rate study generated by a professional rate consultant, indicating the ability to pay the debt service for the additional funds. In addition, the City was approved for an \$850,000 grant (50/50 match) from the FDEP for a new sludge dewatering screw press, as part of the WWTP improvements, and eliminate the need for the existing sludge drying beds. Rebuilding of the City WWTP is an essential part of our daily operations. The Circa 1975 WWTP has reached the end of its service life, is antiquated with certain processes/infrastructure failing, further delays in the construction of this critical project would put the City at risk of FDEP permit violations and potentially damaging impacts to our local environmental ecosystem, and the City will not be able to meet the State of Florida directive (SB 64) to remove the WWTP's effluent discharge to the Intracoastal Waterway by 2032. I hope that the Commission agrees with my assessment that timely completion of this project is essential to implementing our Strategic Vision, meeting our goals, and preserving the overall quality of our community, especially on the Barrier Island.

Post COVID-19 Price Escalations-Time & Value of Funding

In today's post COVID-19 environment, there are multiple factors affecting the Flagler Beach WWTP project, which the Commission and the community need to evaluate. Presently, several major supply chain interruptions around the world are rapidly escalating the prices for the construction of all infrastructure projects throughout the US as well as the Flagler Beach WWTP. Construction and project costs are affected by the following factors, none of which are in the control of the City of Flagler Beach:

- Shortages of concrete
- Shortages of metals (steel, aluminum, stainless steel and copper)
- Shortages of qualified skilled labor
- Shortages and long lead times for equipment, materials, and other building supplies
- High demand for Public Works Projects, with all Contractors being remarkably busy; leading to increased infrastructure project costs
- Higher fuel, shipping, and delivery costs
- Higher inflation in the US, and global economies
- Higher interest rates being charged for capital funding of infrastructure projects

In short, the average price per gallon of building a new WWTP has risen from \$10 - 13 per gallon (2015) to \$30 - 35 per gallon today (Contractor and engineering databases). In fact, infrastructure project costs have increased between 30 – 50% over the last twelve (12) months. This difficult situation has been brought to my attention by our professional engineering firm, CPH, Inc. At the time we made this decision to move forward and apply for the SRF loan interest rates were at 0.20% and costs were fairly stable. In fact, a citizen pressed our team to provide a general estimate of the cost impact for the new WWTP project per customer. Our financial calculations, at that point in time, showed an impact of \$8 - 9 per month. Obviously, that was at a different point in time and based on the stability of interest rates, construction costs, inflation, and the local, State, US, and global economies.

It is the opinion of our management team and CPH, Inc. that the factors identified above could significantly escalate the price to deliver this vital infrastructure project by as much as 40 - 50%. Our Staff and CPH, Inc., are in the process of developing a major workshop presentation with the Mayor & Commission on June 6th, 2022 at 5:00 pm to update you, discuss any options with the public, and review our action plan. The goal of the workshop would be to approve a plan of action that would manage and minimize the impact of delivering the Flagler Beach WWTP BNR Improvements and make sure the new project is as affordable as possible given the present economic environment.

Recommended Action (s)

Going into the workshop our initial plan of action is to take the following steps immediately to deliver the Flagler Beach WWTP BNR Improvements Project by December 2024:

- 1) Form a Special Procurement Task Force that would be charged with giving the Mayor/Commission and Public an update every 90 days until the project is complete.

- 2) The City Manager, Project Engineer and City staff would serve on this Task Force. The Task Force would meet quarterly, at a minimum, and would consult with the FDEP SRF Loan Staff, the Mayor, Finance Director, City Attorney, and any other technical experts, as required, to provide a rapid response.

- 3) The Task Force would conduct the following actions, at a minimum:
 - A) Institute a Value Engineering Program to evaluate and potentially implement methods/processes/systems to manage/minimize project costs, whenever possible.
 - B) Initiate the emergency purchase of a screw press unit from Process Wastewater Technologies (PWTech) and use Sawcross, Inc. to perform the temporary installation of the screw press system. The screw press unit procurement would be achieved through “piggybacking” the purchase based on the competitive bidding of an exact screw press system at the City of Sanford. The Florida Department of Environmental Protection have sent written confirmation that this method of procurement and installation is eligible under Agreement LPS0161.
 - C) Hire a rate consultant to conduct a professional utilities rate study. The estimated cost for the consultant is \$20,000. This will be required to finalize the SRF Loan and to see the impact of the increased project costs on the City’s current water and sewer rate structure.
 - D) Take measures to expedite the procurement process, if advantageous to the City,
 - E) Utilize the Owner Direct Purchase (ODP) process to reduce the project cost as the City is not required to pay sales taxes (large equipment purchases, concrete, infrastructure, etc.).
 - F) Evaluate utilizing an alternative delivery method, CMAR, to manage project costs and expedite the procurement and delivery process.
 - G) Initiate the drafting of the reclaimed water distribution plan for the City and tie it to the new WWTP Master Plan and Sea Level Rise Comprehensive Assessment. This will help accelerate our efforts to meet the State of Florida directive (SB 64) by 2032.
 - H) Document all measures and actions taken by Task Force.