

ITEM #: 37
DATE: 08-13-24
DEPT: W&PC

COUNCIL ACTION FORM

SUBJECT: **NUTRIENT REDUCTION MODIFICATIONS PHASE 1 - AWARD OF CONTRACT**

BACKGROUND:

In early 2019, Council approved the results of a Nutrient Reduction Feasibility study for the Water Pollution Control Facility. The study recommended the following course of action.

“The Ames Water Pollution Control Facility Nutrient Reduction Feasibility Study recommends an integrated strategy that ... would transition the Ames WPCF from an existing trickling filter/solids contact process to a future biological nutrient reduction process ... In doing so, the Ames WPCF would provide capacity for projected flows and loadings and would progressively achieve compliance with the 2013 Iowa Nutrient Reduction Strategy. The transition would occur ... over the next 20 years to take advantage of the remaining useful life of existing facilities, most notably the trickling filters.”

Design work began in June 2022, and on May 14, 2024, Council issued a Notice to Bidders. The bids received were accepted by Council on July 9, 2024, and are shown below in Table 1.

Table 1.	
Bidder	Lump Sum Base Bid
<i>Engineer's Opinion of Probable Construction Costs</i>	<i>\$44,770,000</i>
Woodruff Construction, Inc. Ames, IA	\$53,370,000
Williams Brothers Construction, Inc. Peoria, IL	\$60,780,000

If the low bid were to be accepted, the updated project budget would be as follows (Table 2):

Table 2.		
	Expenses	Funding
Engineering		
Original Agreement	\$ 1,675,000	
Amendment #1	763,000	
Amendment #2	3,600,000	
Other Professional Services		
Geotechnical	16,620	
Commissioning	74,600	
Special Inspections (estimated)	75,000	
<i>Construction (this action)</i>	<i>53,370,000</i>	

Owner's Equipment Allowance	275,000	
Owner's Contingency (5% of the construction award)	2,667,780	
Project Funding		
FY 22/23 CIP Actual Expenses		\$ 1,000,473
FY 23/24 CIP Final Amendment		2,289,527
FY 24/25 CIP Adopted		25,760,000
FY 25/26 CIP Projected		26,240,000
TOTALS	\$62,517,000	\$55,290,000

The updated project budget shows a \$7.227 million shortfall in the authorized funding. Staff, in partnership with the design team from Strand Associates, has undertaken a comprehensive review of the bids and an evaluation of multiple options moving forward.

EVALUATION OF BIDS:

The first action taken was to review the qualifications of the apparent low bidder. Woodruff Construction has documented successful completion of numerous projects similar in scope and scale, including multiple projects at the Ames WPCF. The City's Finance Director has reviewed audited financial statements and found nothing to suggest that Woodruff would not be a fiscally responsible contractor. Strand likewise noted that in its experience Woodruff has been a responsible contractor. Staff has determined that Woodruff is the lowest responsive, responsible bidder.

SOURCE OF ESTIMATE/BID DISCREPANCY:

The next step was to meet with the low bidder to compare their bid pricing versus the estimated costs. It should be noted that the contractor may have grouped some costs into different categories than what the engineer used, but the comparison table below (Table 3) still offers some useful insights.

Table 3.			
	Engineers' Opinion of Probable Construction Costs	Bid Pricing	Difference
Divisions 2-10 (General construction)	\$ 7,172,335	\$ 7,671,508	\$ 499,173
Divisions 22 and 23 (Plumbing and HVAC)	1,235,061	2,105,218	870,157
Divisions 26-28 (Electrical)	6,982,545	12,907,820	5,925,275
Divisions 31-32 (Sitework)	3,004,755	4,312,493	1,307,738
Division 33 (Utilities)	3,268,231	4,070,819	802,588
Divisions 40-46 (Process Piping and Equipment)	11,712,357	11,047,140	-665,217
General Conditions	4,523,330	3,732,481	-790,849
Administration Building	7,101,386	7,522,521	421,135
Total	\$ 45,000,000	\$ 53,370,000	\$ 8,370,000

The pricing for the electrical portion of the work is an obvious outlier. Discussions with the low bidder revealed that while they had talked with as many as 15 electrical subcontractors, they ultimately received pricing from only two. They received quotes from only one system integrator (System Integration includes the construction of control panels, switchgear, motor control centers, and the plant operational control systems, and is a component of the electrical line item). The electrical subcontractor, Van Maanen Electric, provided a written statement with the following observations as to why their bid price differed so significantly from the engineer's estimate:

- Over the past few years, electrical gear and distribution equipment prices have increased by 80%
- Fire alarm equipment has gone up by 12%
- Lighting is up by 35%
- Conduit and material are up by 60%
- Wire is up by 80% and pricing is highly unstable. They also noted that copper is at an all-time high price right now, and it is impossible to get material suppliers to give firm pricing.
- Labor is up 14%. Strand compared the electrician's labor rates against their estimate and found that it was higher by considerably more than 14% from what the engineer had estimated.

Strand also reached out to some of the key equipment suppliers about their experience with recent construction bids. They provided these insights:

- Labor right now is hard to find, and what they are able to get is less skilled than in years past, so the work simply takes longer to get done. That additional time translates into additional cost.
- Overhead has increased significantly as of late.
 - They noted that insurance rates are climbing rapidly.
 - Interest rates are up, and the length of time to get paid by owners is increasing. This leads to contractors needing to borrow to cash flow their work at higher financing costs.
 - Electrical has been a pervasive source of cost overruns.

COMPETITIVENESS OF BID PRICING:

After reviewing the pricing with the low bidder, Strand believes that the pricing received is representative of the actual cost of the work, given the current construction climate. Woodruff had pursued the project aggressively for several years. They did extensive research during their bid preparation including multiple site visits and significant correspondence with Strand to understand the project. They had a team of multiple staff fine tuning their bid, and Strand stated that they very clearly did not just "throw out a number." Similarly, Williams Brothers is wrapping up construction of the Nevada wastewater treatment plant project, and was hoping to transition their staff to Ames, giving them a motive to be competitive in their pricing.

As an anecdotal perspective, an equipment manufacturer's representative noted that they felt like the bids were "fairly" priced and were not inflated.

OPTIONS FOR MOVING FORWARD:

Staff has identified six different options for next steps, which are presented below along with a discussion of potential advantages and drawbacks:

Option 1: Reject Bids and Rebid. One option that the Council could consider is to reject the bids and

direct staff to rebid the project. Staff and the consultant could aggressively promote the project to potential bidders with the goal of having more than two bids.

Staff and Strand have posed the question of rebidding directly to the bidders, their subcontractors, and the equipment suppliers. Every one of them commented that based on the current labor market and material pricing, their prices would almost certainly be higher if the work was to be rebid. Their consensus was that rebidding would result in pricing that was 10-15% higher.

Option 1A: Rebid with Some Elements Deferred Until the Second Phase. It is possible to redesign the project to delay some portions of the work until the second phase. As an example, the current design includes a mixed liquor splitter structure that is set up to handle the ultimate five aeration tanks, even though only two are being constructed in Phase 1. Constructing for all five in the first phase is more practical and cost effective overall, but technically the cost of Phase 1 could be reduced by only constructing two boxes now. **After reviewing the elements that were included in Phase 1, but sized for the needs of Phase 2, staff and Strand concluded that deferring those items would result in an awkward operational configuration in the future and would result in overall higher costs. As a result, staff does not recommend that any of those items be deferred.**

Option 1B: Rebid Following Redesign to Reduce Costs. During the design process, controlling the cost of the project was a high priority. Staff had initially selected an innovative treatment technology that had the potential to offer greater nutrient reduction potential, but was more expensive. That system was proprietary in nature, and as the design progressed staff became concerned that the cost estimates from the manufacturer seemed to be continually increasing. Staff ultimately chose to switch to a more conventional treatment scheme where more competitive pricing could be obtained. The system that was ultimately bid, while slightly less efficient at removing nutrients, is still expected to achieve the goals of the Iowa Nutrient Reduction Strategy.

In the Council Action Form provided on May 14, 2024 to authorize issuance of the Notice to Bidders, staff identified a number of other design modifications that were implemented during the design phase as a part of an internal value engineering evaluation. Those changes include the following items.

- De-rated the raw pump station to avoid the need to provide expensive explosion-proof motors by reworking the building ventilation
- Reconfigured the aeration basin orientation to reduce the length of pipe required
- Modified the basin drainage pumps to allow one single pump across multiple basins instead of providing a dedicated pump in each basin
- Selected a "variable refrigerant flow" HVAC option for the Administration Building that has lower up-front costs and a higher energy efficiency than conventional HVAC systems
- Adopted the use of turbo blowers for aeration that have a smaller footprint, allowing them to fit within the existing space without the need for a new or expanded building
- Adopted a large bubble mixing system over traditional prop-style mixers. This requires fewer motors, higher energy efficiency, and lower construction cost.

Following the bid opening, staff and Strand met multiple times to discuss other options that could be redesigned or deleted to attempt to reduce the construction cost. These potential modifications are listed below (note that these costs are approximate, and changes would require concurrence by the Iowa Department of Natural Resources):

1. Change buried piping from ductile iron to PVC: approximate savings of \$750,000. Ductile iron

piping is the industry standard piping material used for water pollution control facilities. This material is more durable and less subject to damage in the heavily congested yard piping areas that are typical at treatment facilities. The Ames WPCF has historically used ductile iron for buried piping.

2. Eliminate concrete encasement of buried electrical conduit: approximate savings of \$215,000. Similar to the rationale described above for ductile iron piping, concrete encased conduit duct banks are typically used at wastewater facilities for buried electrical conduit. This helps to prevent damage to the conduit that powers and communicates with the critical wastewater equipment necessary to keep the plant operational.
3. Eliminate one of the two grit washers: approximate savings of \$125,000. Although the plant could operate with one grit washer, this would eliminate redundancy for the grit removal process. It is not clear if this would comply with the Iowa DNR requirements for redundancy.
4. Eliminate one of the three grit pumps: approximate savings of \$50,000. Although the plant could operate with two grit pumps, this would eliminate redundancy for the grit removal process. Again, it is not clear this would be approved by the Iowa DNR.
5. Eliminate a portion of the yard hydrants: approximate savings of \$50,000. The number of yard hydrants could be reduced; however, this would make maintenance on the flow equalization lagoons and sludge lagoon more difficult.
6. Eliminate the Administration Building energy efficiency components: approximate savings of \$300,000. These include improved insulation, improved windows and doors, electric vehicle charging, energy metering, indoor air quality improvements, recycling goals, stormwater management, and other miscellaneous items. The Administration Building would not be “net zero ready.” These elements add 4% to the total cost of the building, and 0.5% of the total project costs.
7. Eliminate in-floor heating in garage and shop: approximate savings of \$100,000. The in-floor heating results in a more comfortable working environment for the maintenance staff working in the area, but is not required for operation of the treatment plant.
8. Eliminate Administration Building exterior canopies: approximate savings of \$75,000. Canopies were designed at one of the primary staff entrances to provide shelter while transferring items to the building, such as sampling materials, and one at outdoor break area for shelter.
9. Eliminate trench drains in the maintenance garage: approximate savings of \$20,000. The multiple trench drains in the garage bays would be consolidated into a single trench drain. The multiple drain layout provides better localized draining conditions.
10. Eliminate vertical laminate ceiling in Administration Building lobby: approximate savings of \$12,000. This would provide a standard acoustic ceiling in lieu of the upgraded ceiling in the lobby area. This treatment was added to provide architectural interest in the lobby area only of the building.
11. Eliminate the fire alarm system in the Raw Wastewater and Grit Buildings: approximate savings of \$12,000. The alarm system was requested by staff but is not code-required.

12. Eliminate selected electrical manholes: approximate savings of \$25,000. It may be possible to reduce the number of electrical manholes, although this may make future electrical and controls work more difficult.
13. Eliminate relocated and new telephone and paging equipment for the process buildings: approximate savings of \$50,000. This system is an important safety feature for operators working alone in the facility. It is used when operators do not have cellular service inside the concrete process buildings. Cellular signal boosting equipment could be investigated for buildings with weak service, although this would reduce the actual cost savings.
14. Eliminate replacement of electrical distribution equipment and lighting in the Solids Contact Basin Building that has exceeded its expected useful life: approximate savings of \$75,000. This would still need to happen in the near future; and while it would reduce the cost of the project, it would not be expected to result in an overall savings to the Sewer Fund in the long term.

Staff and the consultant spent considerable effort during the design phase to eliminate unnecessary items. All of the above items were incorporated into the design of the project for specific reasons. Staff does not believe that there is a combination of these changes that would amount to a significant enough change in the scope of the project to warrant rebidding. However, some of these items may be appropriate for a change order following award. That option is outlined in more detail below (Option 3).

The low bidder was asked if they saw any opportunity for meaningful cost reduction through redesign. They commented that the design and construction sequencing all seemed reasonable, and they had no suggestions to eliminate cost through redesign.

Option 2: Reject Bids and Construct as a Single Phased Project. This option would defer all work for approximately five to seven years, and then completion of all nutrient reduction modifications would become a single project. This could reduce some of the contractor's overhead by requiring only a single mobilization.

This approach is not recommended by staff. The reason that the project was broken into multiple phases is to provide short-term redundant treatment capacity for the existing trickling filters. These trickling filter units are the workhorses of the current plant. They rely on a packing of corrugated plastic sheeting. The manufacturer's published life expectancy of the plastic sheeting is 25 to 30 years. The filter media at WPCF has already been in service for 35 years. If this nutrient reduction modifications project were to be delayed, the City would be at a heightened risk for a failure of these essential treatment units. The estimated cost to repack the four filters is between \$12 and \$15 million.

If the Phase 1 work were deferred until some future date, the City would also not gain the additional treatment capacity the project will provide. Staff has met with a continual string of potential industrial users interested in locating in the Prairie View Industrial Park, many of which are requesting treatment capacity beyond what is currently available. The Phase 1 work will allow up to a 20% increase in the plant's wet weather hydraulic capacity, and up to a 40% increase in organic loading capacity. These increases could be utilized for new industrial customers, which in turn could generate new revenue that would help offset the increased debt service expense.

Option 3: Award a Contract and Enter into Change Order(s) to Reduce Costs. Some of the options listed under Option 1B above could be incorporated into the project via change order without

the need to reject and rebid. Staff has intentionally refrained from attempting to negotiate with the low bidder prior to an award being made in order to respect the competitive bidding approach.

There is already one change order item that has surfaced during the bid evaluation process that will reduce the contract cost: Strand's estimates for process equipment pricing were fairly accurate, as they were able to get solid quotes from the manufacturer's representatives. However, as they reviewed the bid pricing for specific pieces of equipment, they noticed one item where the cost was significantly higher than they were expecting. After working with the bidder, it was identified that there was an incorrect price transcribed by the supplier in the price sheet provided to the bidder. **If the contract is awarded, Woodruff has stated in writing that they are agreeable to a deductive change order of \$200,000 to correct that pricing.**

Additionally, after reviewing the list presented under Option 1B above of possible items to be eliminated under Option 1B, the City Manager recommends that staff work with the low bidder after the award to obtain pricing for a change order to delete the following: 1) in-floor garage and shop heating; 2) administration building exterior canopies; 3) the vertical laminate ceiling in the administration building lobby, and 4) the fire alarm system (it was required in the existing raw water pump station, but will not be required following changes made with the new construction). Council should note that the \$199,000 in total estimated savings from these four modifications are the engineer's estimates for potential savings (itemized in Option 1B, above), and not firm pricing from the contractor. The ultimate decision as to whether to eliminate any or all of these four items can be made once an actual cost proposal from the contractor has been received and evaluated.

Option 4: Award a Contract and Adjust Other Utility Capital Projects to Offset the Cost Increase. This option looks for opportunities to offset the increased debt service by reducing, delaying, or eliminating other projects planned in the Capital Improvements Plan.

As shown in the FY 2024-2028 Capital Improvements Plan, the five-year projection for the Water Pollution Control Facility was \$58.403 million, with \$52 million being designated for Phase 1 of the nutrient reduction modifications. If every other project were to be eliminated, it would save \$6.4 million; not enough to completely cover the additional cost of the nutrients project.

Table 4 shows all projects (in \$ millions) that were incorporated into the most recent ten-year rate projections presented to Council in April of this year:

Table 4.	
Project	Budgeted Amount
Nutrient Reduction Phase 1(does not include prior year expenses)	52.000
Replace Methane Generator 2	5.160
Watershed-based Nutrients Note that the net savings would be \$2.000, as outside partners fund more than 60% of this work	5.250
TSC Renovation (sewer portion of expense)	2.244
Purchase Biosolids Land	1.600
FOG Receiving Station	1.384

Replace Emergency Generator	1.356
Clarifier Maintenance	0.750
Raw Pump Station Clear Well Cleaning	0.414
Overhaul Methane Generator 3	0.405
Renovate Northwood Lift Station	0.361
Replace Freel Drive Lift Station Pump & Controls	0.325
Replace Membrane Roofs	0.260
Replace Splitter Structure Gates/Vales	0.200
Switchgear Maintenance	0.199
Replace Generator Radiators	0.158
Maintenance on Buried Valves	0.100
Install Wireless Flow Monitoring & Lift Station Controls	0.100
Replace Laboratory Atomic Absorption Spectrophotometer	0.094
Replace Grain Storage Bin Controls	0.050

Over the past two years, a significant number of projects have been delayed or eliminated by both Public Works and Water & Pollution Control to make room in the budget for the nutrient reduction project. Nearly all the remaining projects are maintenance activities that are very likely to be needed within the time frame they are planned for. The City Manager has identified two projects which could be considered:

- The Watershed-based Nutrient Reduction Modifications include installing land practices in the watershed in and upstream of Ames. The Sewer Utility is “banking” the nutrient reduction credits as a hedge against further future tightening of the nutrient discharge standards. The projects also provide additional benefits such as: increased recreational opportunities, improved habitat, and flood and drought mitigation (both of which depend on keeping water on the landscape for longer). These projects are not a regulatory requirement and could be eliminated.

Approximately half the budget is dedicated to the Edge of Field project, where more than 60% of the funding for the work shown in the CIP comes from outside funding partners. **The City Manager is recommending that the \$100,000 per year budgeted for the Edge of Field projects be retained, but the other \$100,000 per year be eliminated from the budget moving forward, resulting in a \$1,000,000 savings to the Sewer Fund over the next ten years.**

- The other discretionary project is the renovation to the Technical Services Complex (TSC) that houses the Water Meter and Laboratory Services Division. The project is shown in the CIP as a part of the Water Production/Treatment program with funding coming from a Drinking Water State Revolving Fund loan. The rate models for both water and sewer anticipated that the annual debt service payments would be split evenly between the two funds. The estimate was approximately \$2.5 million for a renovation of the existing building, and \$2 million for a building addition.

The interior renovation of the building is intended to address peeling paint, cracked walls, stained ceiling tiles, leaking windows, an aging HVAC system, and the addition of the elevator. The building addition would provide better conference and training space, a more appropriately sized breakroom, and a new IT closet for the staff housed in the TSC building. It would also permit the

existing breakroom and conference room to be repurposed into an office and a first aid room. **Because the project is non-regulatory in nature, the City Manager recommends that the project be eliminated from the Capital Improvements Plan.** Staff will evaluate how to address the more urgent of these needs through the Department's operating budget in future years.

Option 5: Award the Contract and Implement an Additional Rate Increase to Offset the Higher Debt Service. Staff has evaluated the magnitude of a rate increase that is likely to be required to cover the increased debt service. **Council is not being asked to consider any action on rates at this time.** The next round of rate recommendations will come in the late fall during the budget process as usual. **Staff is sharing this information now so that Council has an awareness of the potential rate impacts.**

- Due to the time-value of money, the sooner an increase is implemented, the smaller the magnitude of the increase that is needed. If an adjustment were to be made in July 2025, an additional rate increase of 7% is needed to maintain the same ending fund balance at the end of the ten-year projection. This timing keeps the percentage amount as low as possible over the next 10 years, but it would also coincide with planned Water and Electric rate increases. **Staff has evaluated the overall magnitude of simultaneous increases of 9% in water, 7% in sewer, and 1.5% in electric. For a median residential customer who uses 600 cubic feet of water and 600 kilowatt-hours of electricity, the overall increase in a monthly utility bill would be 4.26%. For comparison, recent utility rate increases had the following net increase in the median customer bill: 2022 - 1.23%; 2023 - 1.58%; 2024 - 1.48%. All were well below the corresponding annual increase in the Consumer Price Index.**
- If there was a desire to defer the additional increase until FY 2027-2028 to give customers additional notice, the increase would need to be 9%. This would still overlap planned water and electric rate increases.
- Staff has developed an alternate rate pattern that Council may find more desirable. Instead of alternating water and sewer increases on an every-other-year pattern, rates for each utility could be adjusted annually, beginning in FY 2025/26. This approach would have a minimal impact on overall customer bills. If the watershed-based nutrient reduction CIP were to be reduced and the TSC renovation project eliminated, the magnitude of the necessary rate increases could be reduced further. Table 5, below, illustrates the pattern of alternating rate increases the Council has previously been presented, alongside an alternative pattern of rate increases that are smaller but applied each year:

Table 5.							
	Previously Presented				Revised		
	Water Rates	Sewer Rates	Combined		Water Rates	Sewer Rates	Combined
Current	--	7.00%	7.00%		--	7.00%	7.00%
FY 25/26	9.00%	--	9.00%		3.50%	5.50%	9.00%
FY 26/27	--	9.00%	9.00%		3.50%	5.50%	9.00%
FY 27/28	9.00%	--	9.00%		3.50%	5.50%	9.00%

FY 28/29	--	9.00%	9.00%	3.50%	5.50%	9.00%
FY 29/30	9.00%	--	9.00%	3.50%	5.50%	9.00%
FY 30/31	--	9.00%	9.00%	3.50%	5.50%	9.00%
FY 31/32	8.00%	--	8.00%	3.50%	5.50%	9.00%
FY 32/33	--	9.00%	9.00%	3.50%	5.50%	9.00%
FY 33/34	8.00%	--	8.00%	3.50%	5.50%	9.00%
FY 34/35	--	9.00%	9.00%	3.50%	5.50%	9.00%

Staff would need to complete more analysis to finalize the exact amounts necessary to increase rates in future years, and would present that information as the Council considers each rate increase.

As a point of reference, based on the annual statewide water and sewer rate surveys performed by Ames staff, the current sewer and water rates in Ames are well below the statewide median. The 2023 sewer rate survey showed that Ames came in at the 26th percentile with 32 of the 44 responding utilities having higher rates than Ames. The 2023 water rate survey similarly showed Ames at the 22nd percentile with 21 of the 28 responding utilities charging more than Ames.

Option 6: Hybrid Option. The most feasible alternative could be a combination of one or more of the options presented above. For example, some elements could be deleted by change order and/or some current CIP projects could be dropped, thereby softening the magnitude of rate increases that would be needed.

PROJECT FINANCING: Should Council proceed with a contract award, staff would work with the City's financial advisor and bond counsel to initiate the Clean Water State Revolving Fund loan. As has been done with previous SRF loans, the amount of the loan will be in excess of the actual amount that is anticipated to be used. The City will only draw the necessary funding to finance the project (never more than Council has authorized), and nothing above that amount will be drawn against the loan.

ALTERNATIVES:

1. Award a contract to Woodruff Construction, Inc. of Ames, Iowa for the Water Pollution Control Facility Nutrient Reduction Modifications Phase 1 project in the lump sum amount of \$53,370,000.

Included in this alternative is direction to staff from the City Council in accordance with Option 6, to: A) Pursue reductions in the contract cost via change order(s); B) Adjust the CIP to eliminate the TSC Building Renovation Project resulting in a \$2,245,000 savings to the Sewer Fund and a \$2,245,000 savings to the Water Fund; C) Adjust the CIP to reduce the Watershed-based Nutrient Reduction Program financed from the Sewer Fund from \$200,000 to \$100,000 per year for the next ten years resulting in a \$1,000,000 savings to the

Sewer Fund, and D) Present an alternate rate increase strategy to the City Council for future consideration that involves smaller annual increases to each utility rather than larger, alternating-year rate increases (as indicated in Table 6).

2. Determine that it is in the best interests of the City to award a contract to the other bidder.
3. Direct staff to pursue some alternate combination of options presented.
4. Reject all bids and provide direction to staff on the future of the project.

CITY MANAGER'S RECOMMENDED ACTION:

The design of the project was completed in accordance with the City Council-approved Facility Plan. Following the City Council's Notice to Bidders on May 14, 2024, the work was competitively bid in accordance with the City's Purchasing Policies and Procedures. Four addenda to the plans and specifications were issued during the bidding window. Staff and the design professionals have reviewed the bids received. Despite the bids exceeding the estimate by nearly 20%, staff has determined that moving forward with an award is in the utility's best interests. **Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, thereby awarding a contract to Woodruff Construction, Inc. of Ames, Iowa for the Water Pollution Control Facility Nutrient Reduction Modifications Phase 1 project in the lump sum amount of \$53,370,000.**

In addition, in order to mitigate the impact of this significant differential between the project cost as compared to the budgeted amount, the City Manager is also recommending that:

- Staff pursue reductions in the contract cost via change order(s) - currently estimated to be approximately \$399,000,
- The CIP be adjusted to eliminate the TSC Building Renovation Project from the CIP, resulting in a \$2,244,000 savings to the Sewer Fund and a \$2,244,000 savings to the Water Fund over the next 20 years, and
- The CIP be adjusted to reduce the Watershed-based Nutrient Reduction Program financed in the Sewer Fund from \$200,000 to \$100,000 per year for the next ten years, resulting in a \$1,000,000 savings to the Sewer Fund.

In addition, the previous estimates indicated that there would be a 0% increase in Sewer rates and a 9% increase in Water rates in FY 2025/26. If the the contract is awarded and the two CIP projects are modified as suggested above, staff will present a proposal for a combination of water and sewer rates for FY 2025/26 that totals 9%, which would be the same total percentage increase a customer would experience according to previous estimates provided to Council. This strategy is outlined in greater detail in Table 5 in this report.

ATTACHMENT(S):

[Ames.2024-089.BidTab.pdf](#)