

**CITY OF HOMER
HOMER, ALASKA**

City Manager/
City Engineer

ORDINANCE 24-59

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,
AMENDING THE FY25 CAPITAL BUDGET BY APPROPRIATING AN
ADDITIONAL \$100,000 FROM THE SEWER CAPITAL ASSET REPAIR
AND MAINTENANCE ALLOWANCE (CARMA) FUND FOR THE
BELUGA LIFT STATION IMPROVEMENT PROJECT.

WHEREAS, Ordinance 24-36 appropriated \$208,000 from the Sewer CARMA fund for the
purpose of construction work associated with rehabilitation of the Beluga Slough Lift Station;
and

WHEREAS, Resolution 24-004 authorized the City Manager to apply for State Revolving
Loan Funds from the Alaska Department of Environmental Conservation in the amount of
\$2,937,353 for Beluga Lift Station Improvements with a principal forgiveness subsidy in the
amount of \$500,000; and

WHEREAS, The total budget for the project is \$708,000; and

WHEREAS, The City conducted a publicly advertised bid in accordance with HCC
3.16.040, with bids being submitted on Friday, October 25, 2024; and

WHEREAS, One bid was submitted in the amount of \$765,194 and the increase in cost is
due to the State Revolving Fund American Iron and Steel (AIS) requirement to use iron and
steel products that are produced in the United States for the construction, alteration,
maintenance, or repair of a public water system or treatment works; and

WHEREAS, Rebidding the project risks putting the project behind schedule because
bypass pumping and all construction needs to be completed before Memorial Day, 2025 when
sewer usage on the Spit will greatly increase; and

WHEREAS, This appropriation includes \$57,194 for the increased cost of construction
and \$42,806 in contingency funds due to the critical nature of the project; and

WHEREAS, The Beluga Lift Station is a major piece of the City's sewer system
transporting all sewage from the Spit as well as the Lakeshore Drive/Ocean Drive
neighborhoods; and

WHEREAS, For a variety of reasons, the hydrogen sulfide gas in this wastewater produce sulfuric acid, which is an acid that eats metal and concrete, causing the structure of the lift station as well as the mechanical/electrical components to corrode; and

WHEREAS, Rehabilitation is necessary to extend the useful life of this lift station and protect the areas it serves.

NOW, THEREFORE, The City of Homer Ordains:

Section 1. The Homer City Council hereby amends the FY25 Capital Budget by appropriating \$100,000 as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
256-0379	Sewer CARMA	\$100,000


Section 2. This is a budget amendment ordinance, is not permanent in nature, and shall not be codified.

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 25th day of November, 2024.

CITY OF HOMER


RACHEL LORD, MAYOR


ATTEST:


RENEE KRAUSE, MMC, CITY CLERK

YES: 

NO: 

ABSTAIN: 

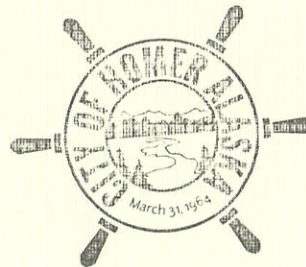
ABSENT: 

First Reading: 11/12/24

Public Hearing: 11/25/24

Second Reading: 11/25/24

Effective Date: 11/26/24





MEMORANDUM

Ordinance 24-59, An ordinance of the City Council of Homer, Alaska Amending the FY24 Capital Budget by Appropriating an Additional \$100,000 from the Sewer Capital Asset Repair and Maintenance Allowance (CARMA) Fund for the Beluga Lift Station Improvement Project. City Manager/City Engineer.

Item Type: Backup Memorandum
Prepared For: City Council
Date: October 30, 2024
From: Leon Galbraith, P.E., City Engineer
Through: Melissa Jacobsen, City Manager

- I. **Issue:** The purpose of this Memorandum is to recommend appropriating an additional \$100,000 from the Sewer CARMA fund to the Beluga Lift Station Improvement project.
- II. **Background:** The Beluga Sewage Lift Station is a major piece of the City's sewer system, transporting all sewage from the Spit as well as the Lakeshore Drive/Ocean Drive neighborhoods. The mechanical/electrical components as well as the concrete structure comprising this lift station, have seriously corroded and are continuing to do so.¹ Rehabilitation is necessary to extend the useful life of this lift station and protect the neighborhoods it serves. In late 2020, the City commissioned HDL Engineering (HDL) to provide a preliminary design, which was completed in April 2021. RESPEC Engineering was then hired to perform the final design, which they completed in May 2024.

The project is funded by a combination of the Sewer CARMA and principal forgiveness subsidy from the Alaska Department of Environmental Conservation (ADEC). Resolution 24-004

¹ All the sewage from the Spit flows through this lift station. In the winter flows on the Spit are substantially reduced, which means sewage sits in the pipes longer than it does in the summer. This pooling gives the sewage time to generate substantial volumes of hydrogen sulfide, a powerfully corrosive and dangerous gas. When you walk by the lift station and smell rotten eggs, you are smelling low concentrations of hydrogen sulfide. Over time, the acid has caused the concrete structure of the lift station to crack, spall and otherwise deteriorate. This is putting the structure at increasing risk of failure. Likewise, the acid adversely affects the valves, pipes, controls and other mechanical/electrical systems, decreasing their useful life.

approved Public Works to apply for a loan from the ADEC through their State Revolving Fund Program. This loan comes with \$500,000 in principal forgiveness subsidy, which is a portion of the loan that the City won't have to pay back, and, for all practical purposes, functions as a grant.

In addition to the funds from ADEC, Ordinance 24-36 appropriated \$208,000 from the Sewer CARMA fund. This was based off of the latest Engineer's estimate, which placed the total cost of construction at \$708,000.

We conducted an open market procurement for construction in accordance with HCC 3.16.040. On October 25, 2024 one bid was received from East Road Services, Inc. in the amount of \$765,194. The difference between the amount budgeted for the project and the bid is \$57,194. We don't have time to rebid the project to try to stay within budget because the project construction needs to be completed before Memorial Day. This is because part of the project involves the construction of a temporary sewage bypass while the sewer main is being rerouted and the lift station is lined and the additional sewer usage on the Spit after Memorial Day would be a major obstacle to the temporary sewer bypass.

The overage in the bid was initially surprising because an earlier design iteration Engineer's estimate had been for a construction cost of \$569,000. Public Works requested that RESPEC revise their estimate upwards because projects were consistently coming in over their Engineer's estimates. The revised cost estimate, for \$708,000 included a 25% contingency to help account for unexpectedly high bid results. Normally contingencies in Engineer's estimates at final design are negligible, but with inflation being as great a concern as it has been lately, the 25% contingency made sense.

The reasoning behind the increased cost the American Iron and Steel (AIS) requirement to use iron and steel products that are produced in the United States for the construction, alteration, maintenance, or repair of a public water system or treatment works. This requirement is imposed by ADEC as a condition of their loan to the City, ADEC gets the money for their State Revolving Fund from the Environmental Protection Agency (EPA), and any project that uses federal money must comply with AIS requirements. The cost of project materials increased by approximately a third due this requirement.

- III. Recommendation:** That the City Council appropriate the \$100,000 from the Sewer CARMA fund to the Beluga Lift Station Improvement project. While only \$57,194 is required to award the construction contract to our single bidder, this project is unique and may result in unanticipated construction expenses. The contingency amount will allow for funding change orders that may arise, that will be reported out to Council per the Procurement Policy. Any remaining funds at the completion of the project will remain in the Sewer CARMA fund.

CITY OF HOMER FINANCIAL SUPPLEMENT

PROJECT NAME	<u>Additional Funding - Rehabilitation of Beluga Lift Station</u>	DATE	<u>11/05/2024</u>
DEPARTMENT	<u>Public Works</u>	SPONSOR	<u>City Manager/PW Director</u>
REQUESTED AMOUNT	<u>\$ 100,000</u>		

DESCRIPTION	<p>Ordinance 24-36 appropriated \$208,000 from the Sewer CARMA fund for the purpose of construction work associated with rehabilitation of the Beluga Slough Lift Station. Resolution 24-004 authorized the City Manager to apply for State Revolving Loan Funds from the Alaska Department of Environmental Conservation in the amount of \$2,937,353 for Beluga Lift Station Improvements with a principal forgiveness subsidy in the amount of \$500,000. The total budget for the project is \$708,000. The City conducted a publicly advertised bid in accordance with HCC 3.16.040, with bids being submitted on Friday, October 25, 2024. One bid was submitted in the amount of \$765,194 and the increase in cost is due to the State Revolving Fund American Iron and Steel (AIS) requirement to use iron and steel products that are produced in the United States for the construction, alteration, maintenance, or repair of a public water system or treatment works.</p> <p>This appropriation includes \$57,194 for the increased cost of construction and \$42,806 in contingency funds due to the critical nature of the project.</p>
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FUNDING SOURCE(S)	OPERATING	GF CARMA	GF FLEET CARMA	PORT RESERVES	WATER CARMA
	0%	0%	0%	0%	0%
	HAWSP	HART-ROADS	HART-TRAILS	PORT FLEET RESERVES	SEWER CARMA
	0%	0%	0%	0%	100%

FUNDING SOURCE 1: SEWER CARMA (256-0379)		FUNDING SOURCE 2:		FUNDING SOURCE 3:	
Current Balance	<u>\$ 1,177,470</u>	Current Balance	<u> </u>	Current Balance	<u> </u>
Encumbered	<u>\$ 481,684</u>	Encumbered	<u> </u>	Encumbered	<u> </u>
Requested Amount	<u>\$ 100,000</u>	Requested Amount	<u> </u>	Requested Amount	<u> </u>
Other Items on Current Agenda	<u>\$ 0</u>	Other Items on Current Agenda	<u> </u>	Other Items on Current Agenda	<u> </u>
Remaining Balance	<u>\$ 595,786</u>	Remaining Balance	<u> </u>	Remaining Balance	<u> </u>
FUNDING SOURCE 4:		FUNDING SOURCE 5:		FUNDING SOURCE 6:	
Current Balance	<u> </u>	Current Balance	<u> </u>	Current Balance	<u> </u>
Encumbered	<u> </u>	Encumbered	<u> </u>	Encumbered	<u> </u>
Requested Amount	<u> </u>	Requested Amount	<u> </u>	Requested Amount	<u> </u>
Remaining Balance	<u> </u>	Remaining Balance	<u> </u>	Remaining Balance	<u> </u>

Project	Ordinance	Encumbrance	FY Expire
Beluga Lift Station	24-36	208,000	FY27
Sewer SCADA Upgrades (split 50/50)	24-24	37,500	FY27
Fleet Replacement (E-117)	23-23(A-3)	50,000	FY26
Launch Ramp Lift Station Enclosure	23-23(A-3)	13,000	FY26
WWTP Digester Blowers	23-23(A-3)	46,700	FY26
Transfer Switch, STP	23-23(A-3)	38,500	FY26
Vehicle Replacement (E-131, E-130, E-114)	23-23(A-3)	31,562	FY26
Beluga Lift Station	23-23(A-3)	21,112	FY26
Rehab of Electrical Control Works for Lift Stations	22-80	10,311	FY25
Repair Pond Liner at Sewer Treatment Plant	21-36(S-2)(A)	25,000	FY25

481,684