

*METRO JPA/TAC  
Staff Report*

**Subject Title:** Request to ratify expenditures spent during FY 2011, additional funding for FY 2012 and remaining optional years, for as needed, Technical Services and Parts for Caterpillar Engine Generators and Switch Gears.

**Requested Action:** WWTD operates and maintains large engines, generators, and switch gear which supply power to the multiple facilities. Currently, there is one (1) emergency diesel engine/generator at the South Bay Water Reclamation Plant; two (2) digester gas engine/generator sets that meet all the electric demand of the Point Loma Wastewater Treatment Plant (PLWTP) and create revenue via excess energy sales to SDG&E; one (1) emergency diesel engine generator at the PLWTP; and two (2) natural gas engines used to drive two wastewater pumps for surge protection of the Pump Station 2 force mains.

Preventive maintenance, repairs, and necessary parts are required to insure consistent operation of this equipment. WWTD staff provides routine maintenance and repair services. However, overhauls, rebuilds, and some more complex repairs which require more staff are completed by a private vendor. Vendor activities to provide these services are coordinated by City staff to minimize down time.

Hawthorne Power Systems was the only bidder to respond to this bid request. The contract term is two years with three, one-year options to renew. Annual cost increases shall not exceed 5% or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), whichever is less.

On November 9, 2010 WWTD received Council approval for a NTE amount of \$1,125,000 in FY 2011 and \$1,200,000 for FY 2012. These totals were originally from engineering estimates for work that was anticipated during those fiscal years. Once the vendor began work, there were unforeseen repairs and additional parts that were needed which were not included in the estimates. Specifically, the amount of \$296,122 covered unforeseen repairs found during an overhaul for unit one at the PLWTP. These repairs were critical and could not be avoided. This amount went over the approved Council request and has been paid to the vendor Hawthorne Power Systems. Additional procedures have been put in place to ensure that expenses do not exceed Council approved amounts in the future (see Attachment A). In addition, WWTD estimates expending approximately \$1,400,000 in FY 2012. In FY 2012, the amounts of \$1,030,629 have been encumbered with Purchase Orders from WWTD's FY 2012 operating budget. We are requesting approval for an additional amount of \$200,000. These additional costs will be used to cover expenses for a main overhaul of engine 1 at PTWTP and, PS 2 along with any unforeseen repairs or parts for on-going maintenance for these engines.

The existing contract term with Hawthorne Power Systems, is two (2) years with three (3) additional one (1) year periods, per Bid Number 10005024-10L. For these years, we are requesting the total amount of \$7,651,331 with the following cost breakdown: FY 2013 - \$2,950,098.00; FY 2014 - \$1,500,000.00; FY 2015 - \$3,201,233 which will take us through the end of the contract. This contract provides technical services and parts for Caterpillar engine generators and switch gear which are critical for operation and maintenance of engines at the Point Loma Wastewater Treatment Plant (PLWTP) and Pump Station 2 (PS 2). Based on historical expenditures and repairs, this as needed contract for the engines and motors, needs to be flexible so that staff can react quickly to repair these items with the integrity of the facilities. WWTD's annual operating budget incorporates specific costs for this type of work. A list of the projects is attached (see Attachment B).

**Recommendations:**

Metro TAC:	Submitted for consideration on May 16, 2012.
IROC:	N/A- This contract is included in the approved Metro operating budget and does not require IROC review.
Prior Actions: (Committee/Commission, Date, Result)	Submitted for consideration by the Natural Resources and Culture Committee on June 27, 2012; tentatively scheduled for consideration by the full Council in July, 2012.

**Fiscal Impact:** The total cost of this action is \$7,651,331.05 for the entire contract term with options not-to-exceed 5%. Funds will be available in the WSTD operating budget, Metro Fund 700001, contingent upon approval of each fiscal year's budget.

FY 2013 – Projected Expenditures*	\$2,950,098.00
FY 2014 – Projected Expenditures*	\$1,500,000.00
FY 2015 – Projected Expenditures*	<u>\$3,201,233.00</u>
	<b>\$7,651,331.00</b>

\*Projected Expenditures are from Project Engineer's Estimates.

Is this projected budgeted? Yes X No   

Cost breakdown between  
Metro & Muni: 100% Metro

Financial impact of this  
issue on the Metro JPA: Estimated Fiscal impact for JPA at 35%:

Fiscal Year	Metro = 65%	Muni = 0%	JPA Impact = 35%	Total Request
FY 2013	\$1,917,563.70	\$0.00	\$1,032,534.30	\$2,950,098.00
FY 2014	\$ 975,000.00	\$0.00	\$ 525,000.00	\$1,500,000.00
FY 2015	\$2,080,801.30	\$0.00	\$1,120,431.70	\$3,201,233.00

**Capital Improvement Program:** N/A

New Project? Yes    No   

Existing Project? Yes    No    upgrade/addition    change   

**Comments/Analysis:**

**Previous TAC/JPA Action:** None.

**Additional/Future Action:** Pending consideration by the Metro Commission on June 7, 2012; to be considered by the NR&C Committee on June 27, 2012.

**City Council Action:** To be considered by the NR&C Committee on June 27, 2012; tentatively scheduled for consideration by full Council in July, 2012.