

GLOUCESTER CITY COUNCIL MEETING

Wednesday, March 17, 2010

6:30 P.M.

1st Fl. Council Conference Room – City Hall

Special Council Meeting 2010-008

Present: Council President Jacqueline Hardy; Council Vice President, Sefatia Theken; Councilor Steven Curcuru, Councilor Joe Ciolino, Councilor Paul McGeary, Councilor Ann Mulcahey, Councilor Greg Verga

Absent: Councilor Tobey, Councilor Whynott

Also present: Jeffrey Towne; Michael Hale; Linda T. Lowe

The special meeting was called to order at 6:30 p.m. Council rules were suspended.

1. PH2010-012: *Loan Order #10-02A Loan Authorization in the amount of \$3.9 million*

Councilor Hardy stated the public has been legally and duly noticed in the newspaper.

This public hearing is open.

Those speaking in favor:

Michael Hale, DPW Director went over submitted documents (on file). They are trying to salvage what they could with interim repairs. They didn't anticipate the extent of the repairs that needed to be done, nor the compliance issues being so far out of compliance as they were. The preliminary scope was brought forward and that was the loan of \$6 million. Further into the design they realized they couldn't salvage what was there at Babson on the water filtration and so are going to have to go with new to rehabilitate it completely. He went through the mechanics of the process at Babson for the Council, and felt they would get a longer life span from the process at Babson. He noted the example of sludge removal where they only thought about putting in the flights and chains; but historically those flights and chains don't last more than weeks. This is a \$450,000.00 item that has to be pre-purchased and is a motor-controlled process. They will be installing PFD's on it which will allow them to control the amount of power to the pumps on the motors that make the chains move the scrapers and hopefully gain more life expectancy than three weeks. This was one of the primary failures of the plant this past summer. Part of Phase 2 is looking at the process of treating water. If we change the process to create a lighter sediment or sludge, it will help alleviate some of the issues. The discharge for the Alewife Brook, which is the brook that feeds Babson, was collapsed. It has all been cleared with the walls put back into shape with some flood capacity. The May 2006 storm caused havoc around that area for days with street flooding, but with the last storm, the surrounding area was cleared of flooding within hours. They are now on the design and construction scope. The bigger jump in price is in Phase 2. The biggest lesson learned in this process rather than just to do interim repairs and expect the fixes to last five to seven years, they are creating a situation that with proper routine and regular maintenance, these repairs and improvements being made now should last 15, 20, up to 25 years. Otherwise the money is simply being thrown away as it had been in the past. One of the bigger jumps in price was in Phase 2. Not only was it the addition of chloramines for a secondary disinfectant, but they looked at the whole way they process water which is one of the major problems with our compliance. That took a fair amount of engineering to bench test. They looked at all the different known processes in Massachusetts being used and found the one they feel will fit the City best in order to see a vast improvement in the process, be cost efficient, and give a very good finished product in water quality for drinking purposes. Phase 2 was grossly underestimated by the DPW. It was not knowing how much they had to do to make the plant last longer. This [Phase 2] is truly what is going to make the plant last longer (see document on file). They are adding new electronics, controls. The facility is a big energy hog and a goal is to make the plant more efficient

that way. Parts of the plant are so old they can't be replaced. This will be a modernized facility when it is all done. Usually you spend six to 12 months studying what the costs are going to be and then look at what do you want the system to look like. But they couldn't do this because they were rushed due to the Consent Order but also his department's underestimation of the work needing to be done. A Notice to Intend to Award has been issued. They have lost two weeks from the time anticipated to actually awarding the contract. The official award notice can't go out until they have a fully funded project. This is going through the Mass. Water Pollution Abatement Trust. So they have a 2% loan for this; and it is also stimulus eligible. It will have 21% principal forgiveness. So even though the City is borrowing all this, 21% will be given back to the City.

Those speaking in opposition: None

Communications: None.

Questions:

Councilor Mulcahey asked who runs the facility after it is fixed.

Mr. Hale stated by our contractor, Veolia who just started a new five year contract in November of 2009 with an option to extend for two 1 year extensions, and currently run the City's Waste Water Treatment Facility and the West Gloucester Facility. They are the biggest contract operator in America based in France and are doing a very good job for the City.

Councilors Mulcahey and McGeary asked about the current contracted operator of the Waste Water Treatment Facility and the facilities maintenance.

Mr. Hale stated that the Environmental Engineer, Larry Durkin who is a professional engineer of 20+ years manages Veolia's contracts. The biggest issue was the tail end of the old contract. The facilities were in poor shape because of disinvestment. The facility had a lot of capital defects. It's the City's to maintain. Veolia operates it. The operator has to make sure they make safe clean water according to State regulations; the grass is mowed; the facility is neat and clean. They're not there to do capital investment into the facility. If something big breaks, they tell the City what needs to be done. Veolia has a budget item for routine maintenance. They make sure the pumps function. If it needs greasing, they grease it. It is very specific as to what they do. Maintenance of the facility – air conditioning, heat, they make sure it's running. The DPW would carry about \$200,000 per year in the enterprise accounts for maintenance. If the contract [with Veolia] allows for pass through routine maintenance, for instance, they will do that. If not, it has to be outsourced through Engineering/Consulting.

Councilor McGeary stated they are concerned that we got to this place because these maintenance issues slid for so long, and we want to protect this investment.

Mr. Hale stated there were things the vendor should have been doing all along like the cleaning of the screens in the Gatehouse [at Babson]. The divers couldn't bring them up because they hadn't been touched in 35 years. You're supposed to be able to pull them up easily by a rope; it should be like taking a window screen out and washing it. That's the City's oversight. They are developing new manuals for operating the facilities with annual checklists for things like that.

Councilor McGeary asked about the proposed installation of electronics, a SCADA system.

Mr. Hale responded that this is for systems control and data acquisition, all about how the pumps are pumping. It's how you make everything run right to a single screen to see are the pumps drawing too much, are they clogged, are the chemicals being pumped at the correct rate, etc.; so that equipment can be maintained better. If there is a problem with the Blackburn Industrial Park water tower, you'd pick it up on the screen, the Fuller pump station, etc. All aspects will be available on a computer screen. We have nothing like this now. The only thing close to it is on the sewer system. This will all be integrated. Someone can work on one screen and see it all on the water and waste water system. It's all integrated; they're working with the City's IT Dept. to make sure if there are any add-ons that can be beneficial to other departments that it will be available to them. It's smart technology and is what everyone else uses.

Councilor Verga asked if the previous contractor on the hook for anything about this situation.

Mr. Hale stated there is a responsibility; and the City has an insurance claim against them. There is an active claim against the former contractor. But there is also a lot of responsibility to the City in terms of a shared responsibility. They entered into a contract knowing what they were getting – all the vendors know what they're getting. It's one reason our prices are fairly high for contract operations. Further down the road they can anticipate easily \$100,000.00 in cost savings just with the new system data that will now be available with some of the automation being done; and you won't need an extra operator. Right now you need an extra operator which costs about \$112,000.00 per year. And hopefully down the road they will be able to do even more automation and save even more money.

Councilor Curcuru noted the City contracted Veolia for the water filtration and for the processing. The new contractor was aware of the situation when they came in.

Mr. Hale stated they are operating the West Gloucester facility, and brought them on board as they made some decisions on Phase 2. You want the operator on board for what the City is doing. They're experts. This is what they do – they make water and treat waste water. They are the biggest contractor for this type of work in America, with 42% of the market share. The City has called upon their resources. They have a new manager, a professional engineer who's provided some support to this project.

Councilor Hardy wondered that since the same contractor is used to handle our water and our sewer, if the people handling the water are certified to handle water and whether or not the people who handle the sewer are certified to handle the sewer. Mr. Hale responded yes to both. She also wanted to know if the City was close to the debt limit and wanted the information related to that presented in future for loan authorizations.

Mr. Towne responded they are not even close to the debt limit; it is not a problem.

Councilor Hardy asked how the City would pay this loan back.

Mr. Town stated it is about 34 cents added to the water rates for the payment of principal and interest once we're paying the full principal and interest back on the \$3.9 million.

This public hearing is closed.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee, at its March 11, 2010 meeting, voted 3 in favor, 0 opposed to recommend to the City Council the following Loan Order:

That up to an additional three million nine hundred thousand dollars (\$3,900,000.00) be appropriated in addition to the previously appropriated six million dollars (\$6,000,000.00) for the purpose of making improvements to the City's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to an additional three million nine hundred thousand dollars (\$3,900,000.00) and to issue bonds or notes thereof under Chapter 44 of the General Laws or any other enabling authority; that such bonds or notes shall be general obligation of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer, with the approval of the Mayor, is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

Discussion:

Councilor Curcuru felt there was no choice in the matter and they have to do this.

MOTION: On motion by Councilor Curcuru, seconded by Councilor Ciolino, the City Council by roll call voted 7 in favor, 0 opposed to recommend the following Loan Order:

That up to three million nine hundred thousand dollars (\$3,900,000.00) be appropriated in addition to the previously appropriated six million dollars (\$6,000,000.00) for the purpose of making improvements to the City's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to an additional three million nine hundred thousand dollars (\$3,900,000.00) and to issue bonds or notes thereof under Chapter 44 of the General Laws or any other enabling authority; that such bonds or notes shall be general obligations of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer, with the approval of the Mayor, is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

MOTION: On motion by Councilor Curcuru, seconded by Councilor Verga, voted by roll call vote 1 (Theken) in favor, 6 opposed to reconsider the vote just taken.

2. Other Business

None.

MOTION: It was moved, seconded and voted UNANIMOUSLY to adjourn the City Council Meeting at 7:00 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of the Committees