



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND, WA**

**AB 4360
October 6, 2008
Study Session**

SEWER LAKE LINE PROJECT UPDATE

Proposed Council Action:

No action needed. Receive update.

DEPARTMENT OF Maintenance (Glenn Boettcher)

COUNCIL LIAISON Bruce Bassett

EXHIBITS n/a

APPROVED BY CITY MANAGER

AMOUNT OF EXPENDITURE	\$	n/a
AMOUNT BUDGETED	\$	n/a
APPROPRIATION REQUIRED	\$	n/a

SUMMARY

At the May 19, 2008 City Council meeting, staff and the consultant team presented a series of recommendations for moving forward with the Sewer Lake Line Project. This discussion covered the findings of a comprehensive peer review and value engineering process, which identified steps that could be taken to bring down the construction cost of the project.

The key findings focused on repackaging the project for bidding, design and engineering modifications, the timing/sequencing of construction, the sharing of risk with the contractor, bid marketing and the financing strategy. Council directed staff to proceed with redesigning of the Sewer Lake Line Project with a goal of going to bid in October. The project will include Reach 3 and Pump Station 4 and will delete Reach 4 as directed by the Council.

At Monday's meeting, staff and the consultant team will provide Council with an update on the work completed to date as re-advertising the project for construction bids approaches. During the past four months, the consultant team has met on a nearly weekly basis. Each aspect of the project that is under the City's control has been examined and debated extensively. Hundreds of hours by staff and the consultant team have been devoted to preparing the project for re-bid. No detail, no matter how small, has been overlooked in the pursuit of successful bids.

Project Funding

The City currently has \$14,577,000 in funding available for the Sewer Lake Line project. This is over 50% of the estimated total project cost of \$27.9 million. The funding includes:

- A \$7 million Public Works Trust Fund Loan at 0.5% interest,
- \$477,000 in a federal State and Tribal Assistance Grant (STAG), and
- \$7.1 million in cash reserves.

In the next several months staff will pursue additional federal funding with an application for a second STAG grant and will pursue additional state monies through a second Public Works Trust Fund Loan application to cover the additional funding needed.

Sewer rates will be finalized in early December 2008 based on bid results. Should a low bid be received that is within the estimated construction cost, an estimated increase of approximately 12% in 2009 and 2010 will be needed to provide funding for the project. This equates to a \$6.40 increase to the average single family residential customers bi-monthly sewer bill.

A final engineer's estimate is being prepared for construction of the project and should be completed by the end of October. Should the final estimate increase in any significant way from the current estimate, staff would immediately inform the Council.

Bidding and Construction Schedule

The project is currently on schedule to be advertised for construction in mid-October. If bidding is successful, award of a construction contract is anticipated for December 2008. Construction of the Pump Station would begin in early 2009. In-water work on the sewer main would begin in July 2009.

RECOMMENDATION

Maintenance Director and Project Team

MOVE TO: No action needed. Receive update.