



MEMORANDUM

To: Mayor and Members of the City Council

From: Montrè Freeman, City Manager
Alicia Steward, Finance Director
Dwan Bell, Public Utilities Director
Jon Hawley, Grants Administrator

Date: November 23, 2022

Re: Update - Grace Drive Pump Station & Pipe Rehabilitation Project

BACKGROUND:

This July, the Governor and General Assembly enacted Session Law 2022-74, the state's 2022-23 budget law, which appropriated \$3.6 million to the City of Elizabeth City for wastewater infrastructure projects. The state budget also stipulated that "no less than \$1 million [of the appropriation] shall be used for a new pump station to accommodate recent on-campus improvements at Elizabeth City State University."

The state agency administering the City's appropriation is the NC Department of Environmental Quality, Division of Water Infrastructure. City staff submitted a project proposal to the Division on August 22, 2022; we proposed the Grace Drive Pump Station Replacement and Pipe Rehabilitation (GDPS) Project. The full request for funding is attached to this memo for review, but, in sum, we are proposing to upgrade the Grace Drive Pump Station to more than double its capacity, and to replace deteriorated sewer lines that feed into the station, reducing inflow and infiltration. (These pipe replacements were recommended by a 2019 Asset Inventory and Assessment grant of the City's sewer system.) These upgrades will accommodate future growth for not only Elizabeth City State University, but US Coast Guard Base Elizabeth City and the Elizabeth City Regional Airport.

The Division issued to the City a "Letter of Intent to Fund" (LOIF) for the GDPS Project on October 11, 2022. That was excellent news, and it lays out the next steps for our project. However, DEQ staff have indicated there are still several steps before the City may draw down funds for our project.

ANALYSIS:

The LOIF sets the following project milestones:

- "ASAP": Apply for all necessary permits
- February 1, 2023: Bid and Design Package Submittal (obtain all permits)
- June 1, 2023: Bid and Design Package Approval
- October 2, 2023: Advertise Project, Receive Bids, Submit Bid Information, and Receive Authority to Award
- November 1, 2023: Execute Construction Contracts
- December 31, 2026: Receive Last Reimbursement

With issuance of the LOIF, Division staff have confirmed to the City that we may begin incurring project expenses (see attached email). **However**, we may not begin drawing down grant funds until "construction and engineering agreements have been reviewed and approved at the authorization-to-award phase." This could leave the City carrying the cost of pre-construction design and engineering expenses for several months before reimbursement. Our project budget, as submitted to the Division, includes \$239,760 for engineering costs.

Our Finance Department leadership has concerns about the City bearing that cost for so long. In response to those concerns, Division staff have suggested a revised approach that would allow faster reimbursement of pre-construction costs. It would entail formally requesting a modified review and approval procedure, after which the Division would detail further steps to follow in a First Payment Checklist. The most important part of this checklist is providing an Engineering Services Agreement that resulted from a standard "Request for Qualifications" process. If it is necessary to modify (extend) milestone dates, the Division has indicated it is willing to have those conversations.

As one final note, City staff wish to assure Council that this project will ultimately not require local dollars. First, the budget for the pump station replacement itself includes \$486,960 in contingency funds. Second, the proposed pipe rehabilitation may easily be scaled up or down (adding or deleting work on a street) to stay within our project budget.

City staff are working to move the project forward and hope to see construction start well ahead of our milestone dates. The Finance Department and Public Utilities will also ensure adequate funds are available and accounted for while we await a funding agreement and release of funds.

Addendum: The GDPS Project is separate from the Herrington Village Pump Station/Hoffler Street Sewer Replacement Project, which is being funded through sources other than the SL 2022-74 appropriation. Public Utilities has provided the following update on the Herrington Village project:

"Currently, the pumps at Herrington Village have new impellers, wear rings and new rotating assemblies installed. The pump manufacturer TenCarva performed the work on both pumps. We have two starters that have to be replaced in the electrical panel. Once those are installed everything inside of the pump station will be complete. On November 15th, the Timmons Group investigated the suction line to ensure there are no blockages in the suction line. They also began the field

work for the sewer line replacement and design for Hoffler Street. The total cost for Herrington Village/Hoffler Street investigation and design work is \$30,000. The estimated cost for the sewer line replacement on Hoffler Street ranges from \$100,000 to \$150,000.”

STAFF RECOMMENDATION:

Information only. No council action is necessary at this time.