



MEMORANDUM

To: Mayor and Members of the City Council

From: Reginald Goodson, City Manager
Dwan Bell, Public Utilities Director
Carl Best, Development Services Director
Jon Hawley, Grants Administrator

Date: March 18, 2026

Re: Consideration - Request to Reappropriate Grant Funds to the Raw Water Reservoir Replacement

BACKGROUND:

In late 2023, the General Assembly approved Session Law 2023-134, whose appropriations included \$9 million for the City of Elizabeth City to address critical water and sewer system projects. The NC Department of Environmental Quality is administering these funds. To show good-faith efforts to put this major state investment into action, the City has requested, and DEQ has approved, appropriating the funds to five different projects. They are:

- Raw Water Reservoir Replacement, \$3.3 million
- Pump Station Rehabilitations, \$2.43 million
- Sedimentation Basin Repair, \$2.12 million
- Dawson Canal & Outfall Restoration (supplement to Golden LEAF grants): \$764,000
- Bypass Pump Conversion: \$250,000

These projects combined total approximately \$8.87 million, the entirety of our SL2023-134 award after deducting DEQ's statutorily allowed administrative expenses.

All of these projects are critical to the City's water and wastewater infrastructure. However, Public Utilities consider the most critical project to be the Raw Water Reservoir Replacement (RWR). The City's primary RWR has been inoperable for many years, and this greatly limits our ability to respond to a water emergency. If there were disruptions to the City's supply of well water, our small, secondary reservoir could only meet the City's water demands for a few hours.

On Thursday, City staff opened bids for the RWR. Of three bids, the lowest bidder, Consensus Construction, bid \$6,676,000. Deducting already expended/encumbered engineering costs, there is only \$3.08 million remaining in the RWR appropriation for this project. There is therefore a shortfall of approximately \$3.6 million.

ANALYSIS:

Our project engineer intends to recommend award, and City staff are concerned the project will not get less expensive if we re-advertise. Therefore, in consultation with DEQ grant staff, we are proposing to transfer funds from other projects to close the gap. Thankfully, SL2023-134 funds allow this flexibility.

We are proposing to transfer the entire award for the Sedimentation Basin Repair, and approximately \$1.5 million of the Pump Station Rehabilitations, to the RWR to eliminate the shortfall. We are asking for the City Council's authorization to undertake this process, and then to seek tentative approval of Consensus' bid at an upcoming meeting.

The sedimentation basin and sewer pump stations still need significant repairs and improvements. However, as previously stated, the RWR is a more critical project. Additionally, Public Utilities can address sedimentation basin repairs and sewer pump stations incrementally. The RWR cannot be broken into phases.

Notably, City staff are also hopeful that the final cost of the new reservoir is significantly less than \$6.7 million. The current reservoir must be partially demolished, and then additional geotechnical investigation is needed directly under the reservoir. If the project's engineer and contractor confirm the soils' stability, the new reservoir will not need as much reinforcement as proposed in the contractors' bids, reducing labor and material costs. If such savings can be realized, City staff will request Council authorization before redirecting SL2023-134 funds back to other projects.

This request is time-sensitive. The contractor's bid is only valid for 60 days from bid opening.

STAFF RECOMMENDATION:

By motion, authorize reappropriation of SL2023-134 funds to the Raw Water Reservoir Replacement as described herein, and authorize the Mayor and City staff to sign all necessary documents.