

COUNCIL ACTION FORM

SUBJECT: DEFAULT ON LIME SLUDGE DISPOSAL CONTRACT

BACKGROUND:

The Ames Water Plant uses a lime softening process to reduce the hardness of the drinking water provided to its customers. A by-product of the softening process is a material that consists primarily of calcium carbonate and magnesium hydroxide. This "lime sludge" makes an ideal agricultural soil conditioner to adjust the soil pH. The practice of recycling lime sludge by land application is recognized as an environmentally sound disposal method.

In May 2000, Council awarded a one-year contract for lime sludge disposal to Biosolids Management Group (BMG) of Boone, Iowa. The contract included a provision for four subsequent one-year renewals. In July 2003, Council authorized a three-year extension to the contract, effectively lengthening the contract period to eight years.

Because this contract involves the disposal of a waste product, staff included a requirement for the contractor to provide a performance bond. Having the bond provides recourse for the City in the unlikely event that the material is disposed of inappropriately. Under the terms of the contract, BMG has been required to submit a new performance bond for each one-year renewal period. The performance bonds are requested in mid-May so that all contract paperwork can be completed to allow a July 1 start to the next year's contract. During the renewal period for the fiscal year 2006-2007 contract period, the performance bond was not received from BMG until September 14. For the current fiscal year 2007-2008 contract period, a performance bond has not yet been received from BMG.

Staff have had repeated conversations with BMG over the past four months and each time have received assurances that receipt of the required performance bond is eminent. The delay in initiating work for the contract is resulting in significant operational difficulties for the Water Plant. On October 29, the attached letter was sent to BMG informing them that if a performance bond was not received by November 14, staff would be requesting that the Ames City Council declare BMG in default of their contract. BMG's performance bond has not yet been received.

The City is now in the unfortunate position of needing to declare BMG in default on the lime sludge disposal contract. After this action is taken, staff will immediately issue a Request for Proposals for a new five-year contract. Because of the lateness in the season and the length of time necessary to complete the Request for Proposals process, it will be necessary for staff to hire a local excavation contractor to remove lime

sludge from the storage lagoons in order to open space for continued operations over the winter. The excavated material will be stockpiled on site for later land application by the new contractor.

ALTERNATIVES:

1. Declare Biosolids Management Group Inc. of Boone, Iowa in default on Contract 2000-122, five-year lime sludge disposal operation; and authorize staff to begin solicitation of proposals for a new five-year lime sludge disposal contract.
2. Do not declare Biosolids Management Group Inc. in default of their contract and allow BMG additional time to secure its performance bond.

MANAGER'S RECOMMENDED ACTION:

Having a reliable program for lime sludge disposal is essential to the continued efficient operation of the Water Plant. The lack of performance bond by Biosolids Management Group Inc. for disposal operations in the current year is posing significant difficulties. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby declaring Biosolids Management Group Inc. in default of their contract. Staff will then begin the process of securing a new contractor for a long-term lime sludge disposal operation.



Water and Pollution Control Department

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October 29, 2007

Mr. Jeff Burma, President
Biosolids Management Group Inc.
2605 Mamie Eisenhower Avenue
Boone, IA 50036

Dear Jeff:

The City of Ames has very much appreciated the work performed by Biosolids Management Group Inc. in providing lime sludge disposal services for the past seven years. Under the terms of the July 2003 contract extension, BMG has one more year remaining on the existing contract. Because the contract is a series of annual renewals, BMG has been required to provide a performance bond on an annual basis. Renewal of the performance bond has been requested each year prior to July 1 so that the next year's purchase order could be issued for work beginning on July 1.

Last year, it took until mid-September before the performance bond was received. To date, a performance bond has not been received for the final year's work on the contract. The resulting delay in beginning work has led to considerable operating difficulty for the Ames Water Plant, and we are extremely concerned that, because of the lateness in the season, no material will be able to be hauled to farm fields this fall. As you are aware, the holding lagoons used by the City of Ames have just enough capacity to hold a year's worth of lime sludge production.

I've contacted you on several occasions over the past three months inquiring as to the status of the performance bond. Each time, I was assured that the bond would be coming within "the next week." We last spoke about this as recently as October 8 when I was assured that the bond would be received by the end of the week. I am now in the unfortunate position of having to place a deadline on the receipt of the performance bond.

If a performance bond is not received by November 14, 2007, I will have no choice but to ask our City Council to declare BMG in default on the contract and void the final year of the agreement. The City of Ames would then issue a request for proposals for a new multi-year contract. Unfortunately, because BMG would have been declared in default of a previous contract, a new proposal from BMG would not be accepted. I urge you to do whatever is necessary to secure the performance bond as quickly as possible so that at least some portion of the lime sludge disposal contract can be completed this fall.

The Ames Water Plant and BMG have a long history of partnering on lime sludge disposal, and I would like to see that relationship continue. However, we must have a partner that we can depend upon to meet our needs. I sincerely hope that the required paperwork can be completed to allow the final year of this contract to proceed.

Yours very truly,

John R. Dunn, P.E.
Director
Water and Pollution Control Department

/bas

pc: Mike Adair, Purchasing
Phil Propes, Water Plant