



## RESOLUTION

URGING THE CITY AUDITOR TO CONDUCT AN AUDIT OF THE DEPARTMENT OF ENVIRONMENTAL SERVICES' WASTEWATER CONTRACTS AND PROCUREMENT PRACTICES.

WHEREAS, the Department of Environmental Services ("ENV") is in charge of operating the City's wastewater, storm water, and solid waste disposal services; and

WHEREAS, ENV is organized into five program areas: administration, environmental quality, collection system maintenance, wastewater treatment and disposal, and refuse collection and disposal; and

WHEREAS, during the fiscal year (FY) 2012 executive budget process, the Council thoroughly evaluated major projects proposed by ENV and other City departments in order to make sure that taxpayers' moneys were spent prudently; and

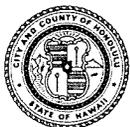
WHEREAS, in Mayor Peter Carlisle's proposed executive capital budget for FY 2012, he included an appropriation of \$26 million to plan, design, construct, and inspect a second bioconversion facility at Sand Island Wastewater Treatment Plant ("WWTP") to help sustain the current plant being operated by Synagro-WWT, Inc. ("Synagro"); and

WHEREAS, concerned about the cost of the project and wanting the Administration to explore other options for the beneficial reuse of sewage sludge, the Council deleted all of the funding for the second bioconversion facility at Sand Island from the executive capital budget for FY 2012; and

WHEREAS, the Council also adopted Resolution 11-182 to urge the Administration to investigate alternative technologies for the beneficial reuse of sewage sludge (other than the technology currently used by Synagro), because of reports that less harmful and more economical alternatives for the reuse of sewage sludge were available; and

WHEREAS, instead of looking at alternative technologies that would be less expensive for the City, on July 20, 2011, ENV proceeded to enter into "**Amendment No. 2 to the Contract for the Operation and Maintenance of an In-Vessel Bioconversion Facility for the City and County of Honolulu**" between Synagro and the City; and

WHEREAS, the Council believes this contract was entered into without regard to the Hawaii Procurement Code; and



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WHEREAS, it was only after the City entered into this new agreement with Synagro for the design and construction of the additional digester at Sand Island WWTP that ENV notified the Council of its plans to proceed with the second digester project; and

WHEREAS, when Council asked ENV how it was able to continue to fund the second digester project after the Council removed the requested appropriation for the project from the executive capital budget, ENV admitted taking funds previously approved and designated by the Council for a different project; and

WHEREAS, over the years, similar concerns have also been raised with respect to ENV's numerous contract amendments with Covanta Honolulu ("Covanta") to operate the City's waste-to-energy facility ("H-POWER") and ENV's failure to consider other companies to operate this facility; and

WHEREAS, according to the City's *opala.org* website, Covanta acquired the operating contract for H-POWER in 1993; and

WHEREAS, ENV and Covanta are currently in the process of building a 900 ton-per-day expansion of the existing facility, which includes the addition of a third combustor unit or boiler; and

WHEREAS, ENV has continued to disregard the Hawaii Procurement Code by allowing Covanta to expand the H-POWER facility before seeking other interested bidders and continued to extend Covanta's contract to operate the H-POWER facility over the years; and

WHEREAS, to date, ENV has made over twelve amendments to Covanta's H-POWER operation contract; and

WHEREAS, some of the contract amendments included increases in the contract amounts; one amendment in 2009 provided Covanta with the ability to receive 15% of the net revenues that the City receives during a billing month from the sale of electric energy generated by H-POWER; and

WHEREAS, ENV has not provided the Council with a certificate or documentation showing the increase of over \$100,000,000 in the contract amount during the periods of June 30, 1997 to March 23, 2004 and March 23, 2004 to February 28, 2008; and



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WHEREAS, the Council finds that ENV has neither been forthright in its handling of these contract amendments with Covanta, nor in its provision of all the documents requested by the Council; and

WHEREAS, the Council believes ENV's actions with respect to the Synagro and H-POWER projects may be symptomatic of other problems within ENV; and

WHEREAS, given this string of recent issues, the Council finds that ENV's management of contracts including its procurement practices or failure to follow procurement procedures with respect to these wastewater contracts should be carefully examined by the City Auditor; now, therefore,

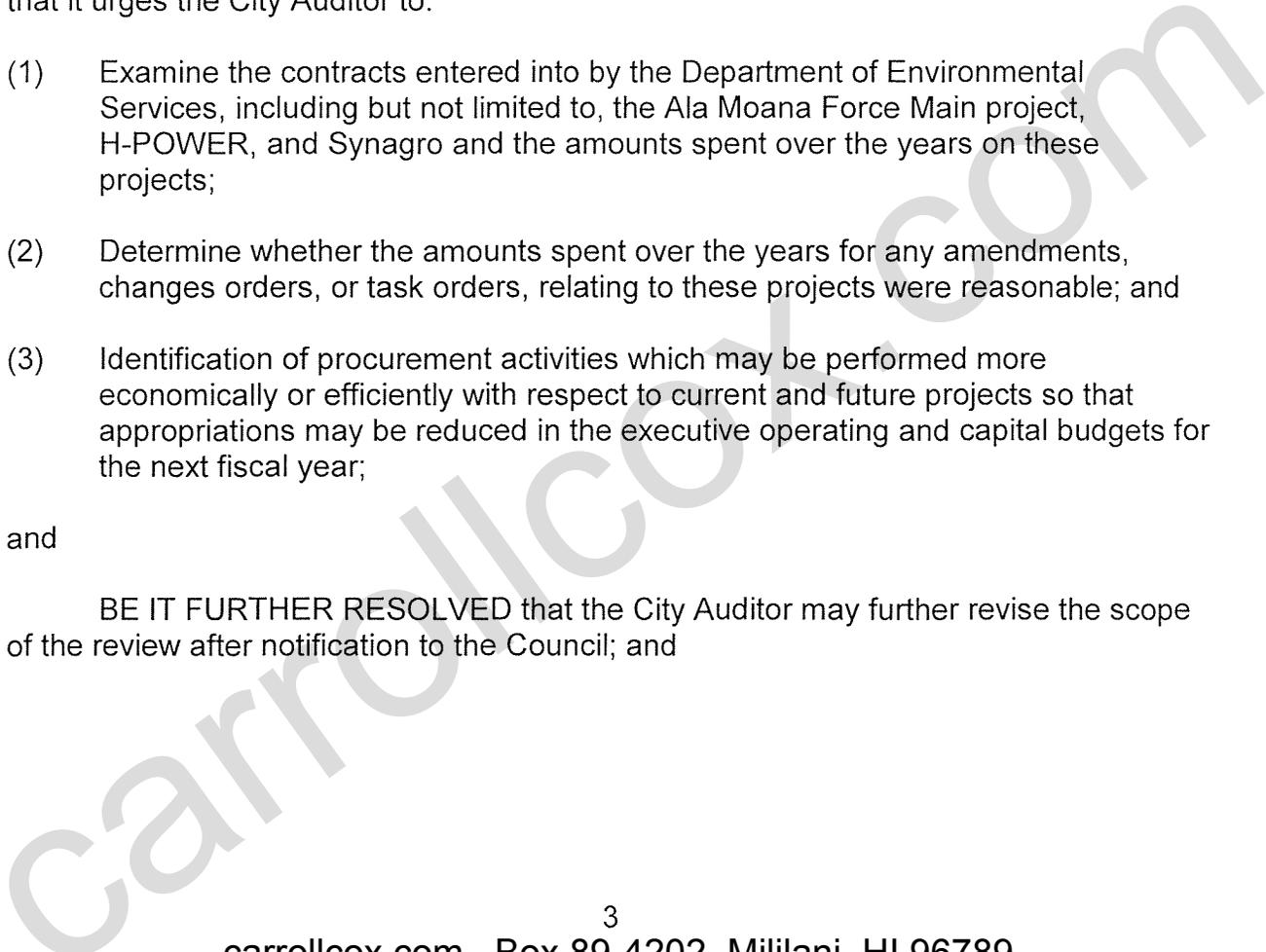
BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to perform an audit of the Department of Environmental Services' contracts, including its procurement practices to ensure that it is operating efficiently, effectively, and in compliance with all applicable laws and policies; and

BE IT FURTHER RESOLVED by the Council of the City and County of Honolulu that it urges the City Auditor to:

- (1) Examine the contracts entered into by the Department of Environmental Services, including but not limited to, the Ala Moana Force Main project, H-POWER, and Synagro and the amounts spent over the years on these projects;
- (2) Determine whether the amounts spent over the years for any amendments, changes orders, or task orders, relating to these projects were reasonable; and
- (3) Identification of procurement activities which may be performed more economically or efficiently with respect to current and future projects so that appropriations may be reduced in the executive operating and capital budgets for the next fiscal year;

and

BE IT FURTHER RESOLVED that the City Auditor may further revise the scope of the review after notification to the Council; and





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BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Mayor, the Director of the Department of Environmental Services, and the City Auditor.

INTRODUCED BY:

*Ann Kobayashi*

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DATE OF INTRODUCTION:

JUN 19 2012  
Honolulu, Hawaii

Councilmembers

carrollcox.com