

**MINUTES
COUNCIL WORKSHOP
OCTOBER 27, 2015 6:30 P.M.
COUNCIL CHAMBERS**

A Council Workshop was held in the Council Chambers and called to order by Mayor Mark Mace at 6:30 p.m. on October 27, 2015.

COUNCIL MEMBERS PRESENT:

<input type="checkbox"/> Emelie Eaton	<input checked="" type="checkbox"/> Doug Poehls
<input type="checkbox"/> Bruce McGee	<input checked="" type="checkbox"/> Richard Herr
<input checked="" type="checkbox"/> Chuck Dickerson	<input checked="" type="checkbox"/> Scot Stokes
<input checked="" type="checkbox"/> Tom Nelson	<input checked="" type="checkbox"/> Bill Mountsier

OTHERS PRESENT:

Heidi Jensen, CAO
Shirley Ewan, Clerk/Treasurer
Kurt Markegard, Public Works Director

Public Input

There was no public input.

General items

There were none.

Executive Review

- Resolution – Reconciliation Change Order for 2015 Water and Street Rehab Project

Heidi referred the explanation of the change order to Cassie Riggan, engineer from Great West Engineering. Cassie discussed the need for larger quantities of materials for the balance of the project. Some of the areas had soft spots in the asphalt and needed to be filled. She mentioned that part of the additional need for materials was due to the School District asking for a cement approach in front of Graff School, plus there were soft spots on Eighth Street where the buses deliver the students. The school district will be reimbursing the city for around \$14,000 for the additional work done for their benefit.

Councilman Dickerson asked Cassie why the contractor isn't responsible for the additional material charges. He feels that the contractor, not the city, should be absorbing these costs. Kurt Markegard responded stating that the additional materials needed are not completely the contractor's responsibility. When they bid on projects, they have no idea what is under all of the old materials on the street and cannot predict the exact amount of materials that will be needed. Councilman Dickerson questioned why these change orders are not figured in, prior to submitting a bid. Kurt stated that if the contractors added what might be under the old street, it would drive the costs too high to submit a bid. The purpose of the contingency amount of \$190,000 is to cover the unforeseen costs associated with replacing the street.

- Discussion with Anna Miller, DNRC/SRF, and Adam Schafer, Governor's Office, regarding funding the Water Intake Project

Heidi introduced Adam Shafer and Anna Miller to the council and referred the discussion to them. Adam is the Senior Advisor to Governor Steve Bullock and Anna works with the DNRC State Revolving Fund.

Adam Schafer addressed the council in regards to Senate Bill 416. Failure of this bill put the governor in a precarious predicament in addressing the infrastructure needs for the City of Laurel, as well as the rest of the state. He stated that there are grants and contingencies that the governor could use, but due to the large demands of other entities these funds have either been depleted or mostly used at this point. There is a \$300 million reserve, but that reserve is in place to be used as a rainy day fund for future disasters or unfunded emergencies. Due to the fact that the governor realizes the importance of the Intake Project, Adam brought Anna Miller from the State Revolving Fund to go through options that the city can move forward with to address the costs of the Intake Project.

Anna Miller addressed the council, stating that she has worked with financing infrastructure through DNRC for over 20 years. She realizes the huge cost and the problems of coming up with solutions and the funds to finance projects. She went on to explain how the State Revolving Fund (SRF) works. The State of Montana receives EPA money from the Federal Government and then the state sells general obligation bonds to enhance the funds that are then loaned out to communities that are working on infrastructure. Because of the low rate of interest that loans have had in the last couple of years, SRF has been able to refinance many loans across the state with a lower interest, which has saved municipalities hundreds of thousands of dollars over the life of their loans. SRF has refinanced several loans from the City of Laurel, saving the city approximately \$483,000 in interest payments over the life of the loans.

Anna then proceeded through several handouts showing how much the SRF has loaned out in the last year, which included the loan application from the City of Laurel for the Wastewater Treatment Plant Rehab Project. She realizes that the city will need to borrow \$3.3 million for the Sed Basin Project and DNRC (SRF) is willing to loan \$2.7 million for the Water Intake Project. Due to the city's prudent use of reserves, some of the previous loans have been paid early. The loan that DNRC is proposing for the city is the loan for the Intake Project where the SRF will require that only the interest be paid for the first couple of years. During those two years, at least one large loan will be paid off and the rest paid down to the point that there will be no impact on customers' rates. Anna stated that now is the time to borrow the money as interest rates are low and the cost will only go up on infrastructure projects in the future.

Meanwhile Anna suggests that the city keep in touch with their legislators in regards to infrastructure and whether there may be some reprieve for the loan taken out for the Water Intake Project.

Heidi asked if the loan is received up front, will SRF still charge only the interest for the first two years. Anna stated that they would.

Councilman Dickerson asked if the loan had a variable rate or is the rate fixed. Anna stated that the loan will be fixed for the life of the loan and that the current rate is 2.5%, which is an extremely low rate for municipalities. Anna said 2.5% is this year's interest rate but after the next allotment of cash comes in from EPA, the interest rate may be higher than 2.5%.

Yellowstone County Commissioner Bill Kennedy addressed the council stating that now is the time to borrow the money and start the project, because the interest rates can only go up and the cost of the project will also go up. He stated that the council needs to make sure the legislature is aware of the loan and make sure they are willing to get a bill in to pay back the loan.

Councilman Dickerson stated that the next time the legislature meets is in 2017, so nothing can be done until that time. Commissioner Kennedy stated that we need to keep the subject on their minds and convince them that the funds are needed for this project and for future projects. The legislature needs to be able to give rate payers an assurance that they will fund infrastructure.

Kelly McCarthy, House District 49 out of Billings, feels that the city should request the entire \$2.7 million from the state as that is the portion that they should have approved through the disaster in 2011. He has never heard of any other community that has had a disaster where the state did not cover their portion of the costs.

Councilman Nelson questioned Anna in regards to the \$5 million that the state receives every year and questioned whether part of that, say 20%, be used for forgiveness on the loan from SRF. Anna answered that 20% of the \$5 million is for the entire state and DNRC could certainly look at that, but she's not sure we could get it for the intake.

Councilman Poehls stated that since the city is being asked to cover the state's entire share, there should be no problem in asking for forgiveness on the loan. Anna stated that at this time she cannot make any promises. Councilman Poehls stated that after 26 different options were sent to all the agencies, they chose the most expensive approach. He doesn't understand how the state expects the city to keep putting in weirs and taking them out and now asking to put one back in. He personally would like to wait until 2017 legislature and if there is no water for the customers, i.e. Cenex, then what will the state do. If it comes to a commercial business or the residents of the city receiving water, he will opt for the citizens. He is tired of the city covering the state's obligations, time and time again. Anna understands his frustration with the state, but all she can do is go by the letter of the law. Doug asked if part of that \$300 million could be used for forgiveness on the loan. She reiterated, at this time, that the governor was behind helping the city until SB 416 did not pass and then his hands were tied.

Anna said the legislature can be called into a special session to reconsider using part of the reserve for infrastructure, but she doubts it will happen. At this point she is recommending the city go with the SRF loan and address how to repay and forgive with the next legislative session. In defense of the legislature, she can understand how they are unable to study and decide on every bill that comes before them at one time. There is too much going on during the legislative session.

Heidi inquired as to how soon the loan application could be approved and could it be within 30 days so construction could start on the pipeline this winter. Councilman Nelson said if the funding could be done this fall, a lot of the work could be done this winter and the intake put in next fall. Tom mentioned that if the city waits for the next legislative session and they did approve the financing, the project would be drug out to 2019. Heidi advises the council to not hold off but accept the best option on the table, which is borrowing the money now and going back to the legislature in 2017.

Councilmen Mountsier stated that he feels that \$300 million in reserves does not need to be that high for what might happen in the future or before the next legislative session.

Anna reiterated that interest rates are low and the project needs to be done while the contractor's bids are lower than what they will be in two years. The city needs to look at the project as not only needed infrastructure, but also as economic development. The people working for the contractor will need to spend the money on their needs and that will circulate the funds.

Councilman Nelson would like to see what the schedule would be on \$1.7 million rather than the \$2.7 million with the possibility that the city could come up with the other million. Anna will redo with that scenario and send to the city.

- Council Issues:
 - Update on 2011 Yellowstone River flooding event
Heidi stated that we have pretty much covered that in the previous discussion.
 - Lease Agreements
Heidi stated that she sent the chamber the city's proposal and is expecting them to come back with options on the rent that they would like to see on their lease.

Other items

No other items were discussed.

Review of draft council agenda for November 3, 2015

- Ordinance No. O15-06: An ordinance amending Ordinance No. O15-01 regarding site design requirements in the city's Downtown Overlay District. (1st reading 10/20/2015; PH and 2nd reading 11/03/2015)
- Resolution Number R15-107 – Approval of the change order No. 2 with Wilson Brothers Inc. Construction for the Final Contract Reconciliation for the 2015 Water and Street Rehab Project.

Attendance at the November 3, 2015 council meeting

Everyone present will be at the November 3, 2015 council meeting.

Announcements

- Councilmen Poehls reminded everyone that the safety mill levy will be on the ballot on November 3, 2015 and hopes everyone will vote for it.

- Councilman Nelson reminded everyone that November 10th will be the Cemetery Committee meeting and Cathy will be putting out the agenda. This will be the last meeting this year for the committee until the council decides which committees are going to be consolidated.

The council workshop adjourned at 7:35 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Shirley Ewan".

Shirley Ewan
Clerk/Treasurer

NOTE: This meeting is open to the public. This meeting is for information and discussion of the Council for the listed workshop agenda items.