

of South Washington Avenue. The project was bid together. CMG was already awarded the first phase of the bid, and will be awarded the second and third phases of the South Washington project if the council approves the creation of SID No. 118.

Noel spoke regarding the total assessments for the different property owners. Property owners are allowed to pay off the assessment up front or over the course of 20 years on their tax assessments bi-annually.

Tom asked if Lot 4 is undeveloped.

Noel stated that it is undeveloped.

Tom stated that Lot 4 looks active. He questioned the difference between that lot and the other lots other than the building on the other lots.

Noel agreed that it is definitely very active, as that is where all the trailers are parked. Since there is no building or pavement there, staff considers it to be undeveloped.

- Resolution - Award bid for sedimentation basin project

Kurt Markegard stated that the city has been working for some time to take care of the sedimentation basins that are at the end of their lifespan. In 2008, the previous mayor directed staff to start the process for replacement of the sed basins and staff started looking at ways to finance the project. In 2010, the council approved a rate structure that added a capital surcharge to each ratepayer's bill and the water charge increased from \$1.80/1,000 gallons to \$2.86/1,000 gallons. There was a base charge reduction and a flow rate increase so the residents did not have a huge increase. The capital surcharge started at \$4.00/month and then increased \$1.00 each year until 2015. The capital surcharge money was to go into an account for the sed basins. After the flooding event in 2011, those reserves went to pay for the intake project, as the city was not reimbursed the 25 percent from the State. The water intake project is done, but the project has not been closed out through FEMA and there is still about \$2 million outstanding.

The bid opening for the sedimentation project was held last Thursday. The engineers' estimate for the project was \$5,442,036. The low bid from COP Construction was \$7,370,410 and the next bid from Western Municipal was \$8,345,400. City staff met with Great West Engineering today to talk about the bid prices and the items that were specified going to construction.

Kurt explained the project to replace the basins to keep the wastewater treatment plant online. The project included demolishing the uncovered basins, bypassing into the covered basins, and building a new smaller covered building with the sedimentation in it. Water would go into a collection point where staff would take out frazzle ice with a mini-excavator if needed. From that point, it would go into the building and then separate into two trains. It goes in there and polymer would be injected in two paddlewheels that would stir the water and get the polymer mix through the water column. From there it would go into a second set of treatment where it would actually then fall out, collect on the bottom, and then the rakes would scrape out the mud, the particles, bacteria and anything else that was coagulated with the polymer. That would then go out to the pond. The water would then flow into the building and go for filtration, chlorination and then be sent uptown. The project is needed because the basins are falling apart and the plant is at its maximum filter capacity.

Chuck asked regarding the life expectancy of the new sed basins once they are completed and covered.

Kurt explained that it was designed for the flow for a long time in the future. Life expectancy is a matter of how big the city is going to grow.

Chad stated that, if referring to the actual improvements, mechanical equipment piping typically has a 20-year lifespan. Most of it will last longer than that, but that is standard manufacturer's answer. The concrete on the building should last more than fifty years.

There was further discussion regarding the materials for the project.

Chad stated that Great West has been trying to figure out what went wrong on the estimate and the bids since the bid opening last Thursday. They came up with three explanations. Their estimate was probably low by about 10 percent. There is a small window in the fall for construction in order to keep the water treatment plant operational. It has to be done in October and November when the flows and the NTU (Nephelometric Turbidity Units) go down enough to reduce the flow to use the existing covered sedimentation basins in order to demolish the uncovered part to start the new construction. The contractors have a tight six-month window to build this. Great West underestimated the impact of the accelerated schedule. The building came in \$700,000 over the architect's estimate. The frazzle ice basin came in three times higher at \$390,000, versus the engineer's estimate of \$120,000.

Chad stated that all engineering firms and communities across the state are having difficulty finding bidders. He spoke regarding projects in the City of Billings and the City of Livingston. It is a poor bidding environment right now for this type of projects.

Chad spoke regarding their letter of recommendation. The project budget for construction and contingency was \$6.4 million. The low bid with the 10 percent contingency is \$8.5 million, which is a difference of \$1,675,766. The three options recommended are:

1. Secure additional funding to award the project for the bid amount.
2. Modify the project through Value Engineering in coordination with the contractor to lower the cost of the project to an amount that is feasible for the City to fund.
3. Reject all bids and rebid the project in the early spring of 2018 after evaluating additional project funding sources and potential cost savings. Construction must be completed in the fall to maintain operation of the water treatment plan throughout construction, so the project would need to be delayed until at least next fall if not constructed this year.

Construction costs typically increase 3 to 4 percent a year, so pushing it off will create cost increases. Great West met with Kurt, Bethany, Mayor Mace, Tim and Nathan today to discuss these options. The frazzle ice basin, which costs roughly \$400,000, could be removed out of the project and put into Phase 4. It would be simple to stub out the piping and conduit and cap them until it could be built at a later date. Phase 4 includes lowering the 2003 intake. The contractor had the idea of not demolishing the covered sedimentation basin part and leaving it there. Tim and Nathan are willing to live with that if it means the project would go forward. Crystal Bennet will work with Bethany to confirm the \$6.4 million number and to make sure there are not any additional funds. Great West will contact COP Construction to do some Value Engineering to find some savings. The plan is to present the results at

the council workshop on July 25th. If the project is within budget and will work for the city and the contractor, the council could consider awarding the bid at the August 1st council meeting, which would allow a schedule for the contractor to start on September 1st.

Emelie asked why there is a frazzle ice treatment in the sed basin, as well as treating for frazzle ice in the intake valve.

Chad explained that the intake does not actually treat frazzle ice. A boiler and system was installed to hopefully keep the frazzle ice from clogging the screens. The operators also have to dip slush ice, not just frazzle ice, out with the mini-excavator. They hope to put a basin outside the building so they could still scoop it with the mini-excavator if they had to. It may not be necessary with the length of the transmission mains from the new intake, but it cannot be guaranteed until it has been run for a winter.

There was discussion regarding the 2003 intake, which sucks a lot of slush and ice in the winter. They would like to have a building that is non-accessible to equipment.

There was further discussion regarding removing the frazzle ice treatment from the project, which would be a savings of \$400,000 on the project.

Emelie asked if the city paid Great West to do an estimate ahead of time. She questioned whether the city would get a discount for the fact that it was so low and now Great West is back renegotiating things.

Chad answered that it could be discussed, but it is an estimate. They used the best information they had available, such as other bid tabs and existing information from contractors. He stated that they are probably more upset about this than the council.

Emelie questioned if there would be more rate increases.

Kurt stated that it is not the intent of the staff to raise rates and they are not going to recommend rate increases. Staff would rather see what can be cut out of the project so it can be funded with current rates, because the rate increase was for the sedimentation basins. Without the intake project, the city would have the money in the reserves for the sedimentation basin project. Staff never planned on raising rates again for this project.

Tom spoke regarding the wastewater treatment plant project in Big Timber and his suggestion to change a spec on that project. He also spoke about a third bidder on the City of Laurel's project.

Chad explained that the third bidder had some math errors and was automatically disqualified because the contractor did not include a bid bond.

There was discussion regarding the narrow spread with the bids. COP Construction would have been the low bidder even if the third bid had been included.

Tom stated that, even without the \$400,000 for the frazzle ice, the project would be at \$1.2 million. The city will end up trying to beat this thing like a dead horse. He thinks it will be better to wait and

look at this next year, which would give the requisite time to find some savings or other options for funding.

Richard asked if the city is using the new intake.

Kurt explained that the new intake is being used and the new intake is gravity feed into the sed basins. The automatic control mechanisms for the new intake will be in the sedimentation basin. There are manual valves would have to be used to run solely off the new intake. The operators would have to go out there and adjust whatever the river does.

Chad stated that the chief operator is using the new intake during the day when the operators are all there and can watch it manually. At night, they are switching back to the 2003 intake.

Kurt stated that, when the sed basins are on, they would have exclusive control through the SCADA system to control the valve to get the needed flow.

Emelie questioned why a new intake was built and only being used 12 hours out of every 24 hours instead of all the time.

Kurt stated that the controls are not there because they were going to be part of the sedimentation basin project. If they let it go and shut the old intake off, they are going to have more head pressure in the pumps and would have to control it that way. If they shut the pumps down, the water will still come because it is gravity feeding down the line. If the other intake is open as well and the water can come down, they can pump what is needed and the rest returns to the river.

Emelie asked if the new intake was designed based on the assumption that the sed basins would be built.

Kurt said that was true.

Emelie asked if the new controls, the cameras and all of the motors at the new intake are worthless until the sed basins are put in.

Chad explained that it can be controlled manually. There is one valve that will be converted to an automatic control valve to facilitate the operation and maintenance. The operators want to use the 2003 intake to keep it operational as a backup, and there is currently enough water in the river to do that. Later in the season when the river drops, they do not have the ability to use it at all, so then they will be solely on the new intake.

Richard stated that the frazzle ice probably will not be there because of the three-mile run if they just use the new intake in October.

Chad hopes that the frazzle ice will be taken care of with the screens. There is a boiler system at the new intake. The frazzle ice clogs the screens, but there is still regular ice and slush that comes into the mud chambers through the 2003 intake. A lot of it actually forms after it comes through the screen because it is such cold water and it hits the atmosphere and covered sed basins. They hope that will not occur with the new intake because of the length of the three miles of pipe that are buried and

will be ground temperature. Without going through a winter, it cannot be totally determined if there will be any slush that gets through or not.

Richard stated his agreement with Tom to wait a year after working with the frazzle ice and the controls to see how it works.

Emelie stated that she heard what Council Members Nelson and Herr said, but she also heard what the staff and the city engineer said. They already have their wheels turning toward trying to cut costs and work with COP Construction. She asked if the council should reject anything that comes in front of them and ask to go back out for new bids or to let staff decide and this was just for informational purposes.

Chad stated that was definitely not the intent, as they want to make sure the council has all of the information possible. He does not know if they can get the cost down within the budget. Some pieces have been identified, like putting the frazzle ice and slush ice into the next phase and not demolishing the existing covered basin for a savings of \$200,000. They are not trying to dictate anything to the council, but want to make sure the council has all of the information possible and all the options are on the table.

Kurt said his first thought when the bids came in was to reject them, to reevaluate and to finalize the financing with FEMA for the intake. After some thought, he decided to call today's meeting with Great West Engineer, COP Construction and the city staff. They discussed what could be taken out of the project, including the fencing and the cameras. They were not trying to strip the project down and get it to the council to approve it, but they want to provide the possible options. Staff may not even recommend going forward after reviewing all of the options.

Tom asked if the city is legally obligated to accept the low bid, since it was \$1.6 million over the engineer's estimate.

Chad stated that the city would not legally have to accept the bid even if was under the estimate, as the city is not under any obligation to accept bids.

Tom stated that the council would typically see a resolution to award the contract and the council would have the option to vote yay or nay on it.

Chuck expressed concerns regarding possible change orders that could drive the cost up to the current bid, even if the city got a feasible bid next year.

Chad stated that the \$1.6 million includes a 10 percent contingency on top of the \$7.3 million that would hopefully cover any unforeseen conditions. Change orders are sometimes unavoidable on a project of any size. He stated that the only way to reduce the cost, if it is rebid next year, would be to change the project by pulling pieces out. They would have to come up with a new project budget and estimate.

Scot asked regarding the annual cost increase.

Chad explained that typically, if looking at the engineering new record, historically construction costs increase 3 to 4 percent annually. It could be another \$250,000 to \$300,000 just in inflation over the year. Sometimes concrete costs skyrocket and oil prices affect asphalt costs.

Richard stated that Value Engineering drops the quality to low-grade materials.

Chad stated that the purpose of the Value Engineering is not to decrease the cost. Contractors have experience or specialized equipment where they can have different ways and means. If the design is changed slightly, they can do it more efficiently to lower their production costs, which can be a cost savings. The intent is definitely not to decrease the quality, but if there is an equivalent that is as good or better that could be done more efficiently or is a timesaver for the contractor because of a compressed schedule, there could be some savings.

There was discussion regarding the possibility of more or fewer bidders, the staff's desire to work on the issue for the next two weeks, the timeframe necessary to go forward with the project this fall if the council accepted the bid on August 1st, and the need for the project to start as soon as runoff ends and the irrigation season is shutting down.

- Council Issues:

- Update on 2011 Yellowstone River flooding event

Chad stated that Great West is working through the punch list items with the contractor. The project should be closed out in the next couple weeks.

- Garage sale signs (Chuck Dickerson)

Chuck stated that, since there was some confusion about this and the CAO was not here tonight, he would like the item moved to the July 25th council workshop agenda.

- Weeds on Bernhardt Road (Emelie Eaton)

Emelie stated that she took pictures, wrote down her thoughts regarding the weed issue and provided two solutions for the problem. She asked that the item be discussed at the July 25th council workshop.

Tom would also like to give some input on the weed issues.

There was further discussion regarding the weed issues, the Ditch Company's responsibility to take care of the weeds, the lack of response by the Ditch Company, and the weed problem in other areas of the City of Laurel.

Other items

There were none.

Review of draft council agenda for July 18, 2017

- Public Hearing: Intent to create SID No. 118

There will be a public hearing for the creation of SID No. 18.

Attendance at the July 18, 2017 council meeting

All council members will attend.

Announcements

Scot asked for discussion at the next council workshop regarding cars that are parked on sidewalks and cars with flat tires that are parked on the streets.

Chuck stated that the Park Board will meet on Thursday, July 13th, at 5:30 p.m.

Bruce spoke regarding the employee recognition list and acknowledge the years of service to the City of Laurel.

Emelie stated that the Public Works Committee meeting was cancelled because the only discussion item was the bids for the sedimentation basin project, which was discussed tonight.

Recognition of Employees

- | | | |
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| • Sheri Phillips | 20 years of service on July 1 st | City Court |
| • Fran Schweigert | 19 years of service on July 6 th | City Shop |
| • Nathan Herman | 17 years of service on July 10 th | WTP |
| • H.P. Nuernberger | 15 years of service on July 30 th | WTP |
| • Calvin Lovshin | 5 years of service on July 16 th | Custodian |
| • Patty McGahan | 4 years of service on July 1 st | Laurel Library |
| • Norm Stamper | 1 year of service on July 5 th | City Shop |
| • Kevin Hoffman | 1 year of service on July 18 th | City Shop |

Mayor Mace stated appreciation for the years of service from the employees that were hired in the month of July.

The council workshop adjourned at 7:32 p.m.

Respectfully submitted,



Cindy Allen
Council Secretary

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