

**MINUTES
COUNCIL WORKSHOP
AUGUST 8, 2017 6:30 P.M.
COUNCIL CHAMBERS**

A Council Workshop was held in the Council Chambers and called to order by Council President Doug Poehls at 6:30 p.m. on August 8, 2017.

COUNCIL MEMBERS PRESENT:

<input checked="" type="checkbox"/> Emelie Eaton	<input checked="" type="checkbox"/> Doug Poehls
<input type="checkbox"/> Bruce McGee	<input 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
Bethany Keeler, Clerk/Treasurer
Chad Hansen, Great West Engineering
Kurt Markegard, Public Works Director
Tim Reiter, Utility Plants Superintendent
Representative from COP Construction

Public Input

Curtis Lord, 418 West 12th Street, represented the Laurel Rod and Gun Club regarding the building and trap shooting in Riverside Park. Mr. Lord gave a brief timeline of events over the past seven years. In May 2011, their building was flooded. The Laurel Rod and Gun Club has been unable to operate in the same manner it did prior to the flood. The club appointed Mr. Lord and Irv Wilke to represent them with the City. In 2013, the club gained access to trap shoot in the park until the end of their lease in May 2018. The lease states there will be no trap shooting after this date. Mr. Lord was under the impression that this decision was not set in stone and would be re-evaluated. In April 2015, Mr. Lord attended a Park Board meeting in which the Park Board recommended to the City Council to give the building to the Laurel Rod and Gun Club. In May 2015, the council voted to have the CAO and City Attorney look into getting this done, but nothing was done. In April 2017, Mr. Lord attended another Park Board meeting again with the recommendation they be given the club building and the Rifle Club building as well. The CAO recently requested a proposal on what the Rod and Gun Club is going to do with the property. Mr. Lord delivered the proposal on June 15th and is still waiting to hear back. On July 10th, the Master Plan Committee, of which Mr. Lord is a member, began meeting regarding Riverside Park. The Master Plan Committee has scheduled an open house on August 14, 2017, for Laurel residents to give input on what activities they would like to see at the park. The Rod and Gun Club asked for poster space on trap shooting in the park. Mr. Lord feels the club is being discriminated against, as there is no poster for trap shooting. Mr. Lord would like to know if the residents of Laurel would like trap shooting to be open again. If the residents do not support this idea, the club will not pursue further.

Bob Dantic, Beartooth Grill, received a letter this week regarding the A-frame signs in front of the Beartooth Grill. Employees have been instructed to keep signs on the Grill's property. The letter

states that, if the signs are not removed, Mr. Dantic will receive a \$500 fine for violating the sign ordinance. Mr. Dantic asked the council to review the current ordinance. He compared his signs to the candy located in the check-out line at the store, as both encourage an impulse buy. Mr. Dantic has invested a significant amount of money into these signs and requested a waiver of this fine until the council can review the ordinance. He would like to work with the City to find a solution.

General Items

- Appointment: Library Board

Doug asked the council to review the letter submitted by Samantha Barnhart in regards to a Library Board appointment.

Executive Review

- Resolution - Award bid for sedimentation basin project

Heidi introduced the discussion regarding the SED basin project. She explained that no draft resolution was in the council member's packets, but her memo addressing the importance of the need for the SED basins was distributed. The memo is attached to these minutes.

Heidi needs the council to decide which bid, original or value engineered, should be used for the resolution. Heidi invited Great West Engineering, COP Construction, the Public Works Director, and the Clerk/Treasurer to tonight's meeting. Each was invited to discuss the need for the project, what steps have been done to make it more cost affordable, and the City's next step.

Chad Hanson, from Great West Engineering, explained that Kurt, Bethany, Heidi, Tim, and COP Construction have worked diligently to value engineer the SED basin project. He clarified that value engineering does not mean re-engineering or alternative options, but rather moving items to future phases of the project. The value engineered version of the SED basins will still meet the needs of the Water Treatment Plant and its operators. These changes would reduce the cost from \$7.37 million to \$6.54 million. The major changes include moving the slush ice basin and sand basin into Phase 4 and changing the loading dock on the building from a recessed loading dock to a grade. The minor changes would be fencing and removing security cameras at this time. There were no major cost savings by changing the types of materials used. There are three possible scenarios: first is to award the bid at the original bid, the second is to award the bid but put in a change order to reduce the cost of the project to \$6.54 million, and finally to reject the bid.

Kurt stated that this project has been in the works for a number of years. Getting this project to go out for bid and to have the bid come in over the expected budget is a huge disappointment. He elaborated on the output the new SED basins would be able to produce. While the design capacity would meet the current filter capacity of 3000 gal/min, the City would still have room to grow. The current SED basins are 235 feet long by 102 feet wide. It is not cost effective to build a structure over the existing SED basins. To decrease the building's footprint, the staff looked into mechanical means to force particles out of the water. In 2008 or 2009, the City replaced the bottom of the filters with plastic grates to improve the flow rate.

Chuck questioned if there was any product on the market that would allow the City to wrap the SED basins instead of replacing all the walls.

Kurt responded that, while that could be a possibility, the City still has open basins, which would still freeze in the winter.

Chuck questioned is it be feasible to build a structure over the existing structures if a wrap product were to be used.

Kurt responded that the original goal was to reduce the building's footprint to help contain costs. Kurt gave the example of needing to patch a large hole in the bottom of one of the SED basins seven years ago. City crews needed 1,200 pounds of Quickrete to fill the hole.

Chuck questioned if the City could use a product similar to what was used on the storm drains.

Kurt was unsure if that product would be able to be used.

Chuck stated that this product is supposed to stop deterioration and last a long time.

Kurt responded that the product in question is an epoxy.

Tim Reiter stated that the structure is too damaged to repair at this point. Cables are holding the walls up and the SED basins are unsafe.

Kurt asked Tim to attend tonight's meeting, as he has worked at the plant for many years. Kurt explained that the City has gone to TSEP and found alternative funding through CHS. The City's goal is to provide the City of Laurel with clean potable drinking water. Kurt appreciates the council and the big decision on the table.

Tom agreed that the SED basin project has been in the works for many years. He also agreed that the SED basins are in dire need of repair. He stated that the City cannot afford the project, and to piece together a project that is not designed as the City originally intended is not a wise use of funds. He is concerned about the City's ability to fix water breaks.

Kurt responded with an example of a sewer line break on Montana Avenue in which 150 feet of line is falling apart. He stated that the City of Laurel's infrastructure is from the 1940's and 1950's and the City has not expanded much since then. Kurt agreed with Tom's statement that there are infrastructure concerns in many areas of town and that having reserves to cover these expenses is paramount.

Emelie asked the Clerk/Treasurer what the City currently has for reserves.

Bethany responded that there are no reserves for the Water Fund.

Emelie questioned what the City has for overall reserve funds.

Bethany responded that there is \$2.3 million in the General Fund and \$1.9 million from CHS, which may have to be returned to CHS.

Emelie stated she understood Bethany's statement as the City had \$4 million in reserves.

Bethany explained that reserves are used to cover expenses outside the normal operating costs. The City has nothing in reserves.

Emelie stated that the City is still requesting the council to approve another \$5 million project. She questioned if this would maximize the City's loan capacity.

Bethany responded that it would meet the City's debt capacity.

Emelie questioned what the City would like to keep in the reserve fund.

Bethany responded that the City would like to have \$2 million in the reserve fund and has typically kept \$1 to \$2 million in that fund. The City does not have a reserve fund because it had to fund the water intake project.

Emelie noted that Heidi's memo said that the water intake project is nearing completion. She questioned if concluding the project and paying off the project is the same thing.

Bethany asked if Emelie was referring to closing out and receiving the FEMA funds or paying off the loan used to fund the water intake project.

Emelie clarified she is asking about the City's financial obligation.

Bethany responded that the only financial obligation the City has left is \$56,000 to Wilson Brothers for retention.

Emelie questioned if this expense will be paid by FEMA.

Bethany stated that it will be sent to FEMA for reimbursement.

Emelie questioned where the remaining FEMA funds will be placed.

Bethany stated they will be placed in the City's reserves.

Emelie asked how much the City is expecting to obtain.

Bethany stated that the City will receive \$2 million. Bethany was able to get the State to release another \$500,000 of the FEMA funds. The remaining \$1.5 million will be dispersed upon the complete closeout of the water intake.

Heidi stated that the money the City will receive from FEMA will not go directly into the City's reverse. The money will be placed into a special account until an audit is complete. Once the audit is complete, the City will be free to move the money back into the reserves.

Emelie questioned the timeframe for the funds becoming available.

Heidi stated that the timeline is dictated by the State DES as to when the audit will occur.

Emelie asked if the City's loan ability is at zero until the project is closed out and the audit is completed.

Heidi responded that is correct, which is why the City obtained interest free loans for the next three years. Since the City's bonding capacity has been met and the ability to pay the loans was not financially stable, the City received the interest free loan from the State Revolving Fund (SRF) for the intake project. The SRF is willing to do the same on this project until the City's current debt service is paid down. In three years, the City would assume the full responsibility for these two loans, for the intake and SED basins.

Emelie questioned how long it would take to pay off these loans.

Heidi and Bethany responded that they are 20-year loans.

Heidi elaborated that the origination date for the intake loan is 2016 and the origination date for the SED basins would be 2017. The payoff dates would be in 2036 and 2037, respectively.

Emelie stated that the City is requesting the council to take on an additional \$5 million in debt for the next 20 years so the City can be on poor financial footing, affecting future projects, wages, raises, and hoping that no major repairs will be needed on other failing infrastructure. Emelie asked Heidi if she would still support moving forward on this project.

Heidi responded that after discussions with staff, Great West, and the City Attorney, they all agree this project is in dire need of moving forward.

Doug questioned how the council moves forward on this topic.

Heidi clarified that the City cannot have two identical resolutions. The resolutions must be written in the affirmative and can be voted down. The City Attorney needs to know which values to enter on the resolution so the council can accept or reject the bids.

Chuck questioned the letter from Great West to the City of Laurel. Great West listed the City's three options: original bid, value engineered bid, or rejecting the bid all together. Chuck asked Kurt and Heidi to state which option they feel is best for the city.

Kurt explained that, due to the peak usage in the summer, the SED basins need to be back online in April. All construction needs to be completed during the winter months, which adds to the cost of the project. It was expected that the City would meet its capacity by 2012, but it was met the previous summer. The City has produced more and more water each year. Kurt stated that the SED basins might last another year, but he would like the City to move forward with the project.

Chuck was under the impression that construction companies wanted work in the winter, as their business slowed down. Chuck would like to know the breakdown of costs for labor and materials.

Kurt responded that there are fewer daylight hours for crews to work in the winter and weather could lead to delays. The SED basins must be ready for use by April. This could cause labor to be high.

Chuck requested Heidi's response.

Heidi responded that staff and the engineers felt option two would be the best option for the City at this time.

Emelie handed out and read a statement, which is attached to these minutes.

After reading her statement, Emelie commented that the City is not in stable financial condition and it is not in the City's best interest to extend the City another \$6.8 million.

Tom has seen value engineered projects in the past that have been fine for a year or two and then became the City's emergency. Tom does not understand why security cameras were added to the bid originally if they were not important. To push them to a later phase does not make sense. He stated is in favor of option three so the City can do this project correctly the first time.

Heidi clarified that, because the City received official bids, the council needs to vote via resolution to approve or reject the bids. The resolution will be written in the affirmative and will be on next week's agenda so the council can vote to move forward or reject the bid.

Tom questioned why Great West's letter stated the City could reject the bids.

Chad explained that the decision is up to the council; however, he is deferring the actual process to Heidi and the City Attorney.

- Resolution - Final levy of special assessments for maintenance costs in SID No. 114 - Elena Subdivision (PH on August 15, 2017)

Heidi introduced the final levy of special assessments for maintenance costs in SID No. 114 - Elena Subdivision. This is the final discussion before assessments go out to property owners in the Elena Subdivision. The City has not heard from any property owners on this matter. The property owners have been assessed at \$5000 for the last three years. Heidi verified last week that everything is still functioning and the City has held up its end of the bargain. The park is in good order, the grass is growing and the trees are alive.

- Resolution - Task Force agreement with DEA

Heidi introduced the Task Force agreement with the DEA. The City's current officer is Bill Brew. The Police Chief is in strong favor of this agreement. All overtime is paid by DEA, minus the benefits, ancillaries, etc. This is a good program for Laurel, as it allows the City to purchase items for the Police Department that the City would not be able to fund out of the General Fund.

- Discussion - Authorizing sale of bonds for SID No. 118

Heidi introduced the resolution authorizing the sale of bonds for SID No. 118. Heidi asked the Clerk/Treasurer to present the information.

Bethany Keeler asked three local banks, Altana, Western Security Bank, and Yellowstone Bank, for proposals for purchase of the bonds for SID No. 118. Altana does not buy bonds for SID's. Western Security Bank proposed a 4.21% fixed 20-year loan with semi-annual payments of \$7,204.25. Yellowstone Bank proposed a 3.95% fixed 20-year loan with semi-annual payments of \$7,097.15. Yellowstone Bank submitted a better interest rate.

Tom spoke regarding the letter Mayor Mace sent out comparing SID No. 118 to SID No. 114. He thought the council voted this resolution, Resolution No. R17-41, down last week, and questioned why it is on this week's agenda.

Bethany assured Tom that this is a different resolution. The one voted down last was identical to SID No. 114.

Tom stated it appeared that the City did what the council voted against last week. He stated that he was told this was the same as the other SID's.

Bethany stated that the resolution voted down was identical to SID No. 114, according to Dorsey & Whitney.

Tom stated that the council voted against language that allowed the City to negotiate the sale of bonds to local banks, but it seems as if that is what the City did.

Heidi stated that, after the resolution was voted down, Mayor Mace, the City Attorney, and Heidi spoke with Dorsey & Whitney. Both SID No. 114 and No. 118 have small bond amounts. SID No. 114 was done through private sale with the language that authorized the City's designees to talk to banks. Dorsey & Whitney and the City Attorney agreed that staff has the right to go to the banks and ask what interest rate they can provide for this SID. The council created the SID and now needs to figure out how to fund it.

Bethany stated that the information presented today is a proposal that is not legal or binding.

Emelie questioned whose job is it to contact banks to request proposed interest rates.

Bethany responded that the Clerk/Treasurer works with Dorsey & Whitney to contact banks.

Heidi stated that all proposals shown tonight have been sent to Dorsey & Whitney.

Doug questioned if Dorsey & Whitney had given their legal opinion, as requested in the documentation from Yellowstone Bank.

Bethany responded that Dorsey & Whitney will give a legal opinion once the council has voted on which proposal to accept. At that point, Dorsey & Whitney will draft all legal documents, including their opinion.

Doug questioned if the City will go through Dorsey & Whitney for final legal documents.

Bethany stated the City always goes through Dorsey & Whitney.

Tom stated that he did not understand. He was told this was rushed and that the City did not have time for Dorsey & Whitney to go to banks for the City. He felt staff took this to banks anyway.

Emelie was also confused on what the council voted down last week. She questioned why the council even voted if staff went and requested proposals anyway.

Bethany responded that Dorsey & Whitney explained that the resolution voted down by the council at last week's City Council meeting allowed the Clerk/Treasurer, CAO, and Mayor to enter into a legal and binding agreement with the bank. It would be required for two of the three to enter into said

agreement and to bring it to the council for approval. The process to proceed at this time is as follows: Bethany will bring the council proposals and the council will decide which bank they would like to use. Then all legal documents will be drafted by Dorsey & Whitney. This is what Dorsey & Whitney advised the City to do.

- Council Issues:

- Update on 2011 Yellowstone River flooding event

Heidi asked Chad Hansen to give the update on the 2011 Yellowstone River flood event.

Chad stated that the contractor is working on finishing the last few items on the punch list. The operators were being trained on the compressors today. The boiler start up is scheduled for Tuesday, August 15th, at 9:00 a.m. This will be the last of the startup items. The City is currently using the new intake and working on fine tuning its operation. Once the punch list items are complete, the close out process will begin.

- Garage sale signs (Chuck Dickerson)

Chuck stated that he had a discussion with Heidi today on what is being considered regarding signage removal. He is excited for what is in the works. Heidi and Chuck will bring the item back to the council when the details have been worked out.

- Riverside Park bids

Heidi introduced the bids for Riverside Park. Heidi has struggled for years to find someone to bid the project, for repairing and/or demolishing the buildings in question. The only company willing to produce a bid was CSI Inc. The bid is only to remove the buildings as the contractor, Wade Spalinger, did not feel the buildings were salvageable. Jerry Gerbenc wanted to incorporate some items from these buildings elsewhere in the park, such as windows or the rock façade. After discussions with Wade, they agreed there was nothing salvageable. The fund has \$250,000, which will leave \$180,000 to be spent in the park if this project is approved. This is the only option Heidi has been able to present to the council.

Curtis Lord asked if other companies had been given the opportunity to bid the job. In 2011, he had a bid from Alpha Omega to do restoration for \$10,000 at the Rod and Gun Club.

Heidi responded that Alpha Omega has been contacted over the last six years. She will contact them again to see if they would like to bid the project.

Emelie questioned if these bids were time sensitive.

Heidi responded that Wade did not set a time limit on these bids. She informed Wade that toxic mold was found in the caretaker's residence when it was tested in 2011. The mold report advised the City that, if the building were to be demolished, it would need to be tented and hauled away in plastic bags. She advised another mold test for this building to insure that the City is not putting anyone's health at risk.

Emelie asked if the caretaker's residence was the only building with mold in it.

Heidi responded that all of the buildings had mold in them, but it was the only one that had toxic mold, which is extremely hazardous to one's health.

Irv Wilke, 1017 7th Avenue, stated that the Rod and Gun Club came to the City with experts to address the issue while there was still an option to remediate the building. He feels the buildings would be habitable if something had been done back then. In his opinion, the City has been sitting on its hands to make this a "go away" issue by taking a bulldozer to these buildings. He stated that it is a travesty to lose 70 to 80 years of history at Riverside Park. He stated that the leases stated that the City would take care of major repairs if the Rod and Gun Club took care of minor repairs. The Rod and Gun Club had replaced the floor, windows, electrical, furnace and appliances. He stated again that he feels the City sat on their hands while history was being destroyed.

Other Items

There were none.

Review of draft council agenda for August 15, 2017

- Public Hearing: Final levy of special assessments for maintenance costs in SID No. 114
The public hearing will be on the agenda.

Attendance at the August 15, 2017 council meeting

All council members present will attend.

Announcements

Scot stated there will be a Park Board meeting on Thursday, August 10th, at 5:30 p.m. in the Council Chambers.

Chuck had discussed with Heidi to move Council Workshop meetings to 5:30 p.m., and this item will be added to the next workshop agenda.

Emelie stated that the Public Works Committee reviewed documentation on the project on Southeast Fourth Street.

Doug thanked Tom for completing the Emergency Services meeting minutes.

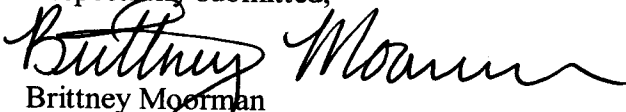
Recognition of Employees

- | | | |
|-----------------|---|----------------------------|
| • Matt Wheeler | 8 years of service on August 18 th | Maintenance Superintendent |
| • Thomas Henry | 3 years of service on August 1 st | WWTP |
| • Joshua Sawyer | 1 years of service on August 8 th | WTP |

Council President Poehls stated appreciation for the employees' service to the City of Laurel.

The council workshop adjourned at 7:41 p.m.

Respectfully submitted,


Brittney Moorman
Administrative Assistant

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

I first heard that the Sed basin project bids came in \$1.8 million over budget on Thursday, July 6 at 5 p.m. when Public Works Director Kurt Markegard texted me regarding agenda items for the pending July 10 Public Works Committee meeting. The Sed Basin Project had been the only item on the P.W. agenda. The Public Works Director had no firm explanation for the bid coming in so far over budget. I recommended the meeting be cancelled. He opted for attempting to get more information and did not agree to cancel the meeting until the next day, Friday, July 7, after getting no more information that could be passed along to committee members. That is why the notice that the Public Works meeting would be cancelled came out so late last month.

At the Tuesday, July 11 workshop the high bid/poor estimate by Great West was announced to the entire Council. After the Council meeting the Public Works director texted me again regarding issues that had come up at that meeting and at roughly 8:30 I received a text regarding the high bid which said, in part, "staff tried everything to understand what the costs were. We tried to stay on the budget that they told us we were at."

At that July 11 Council workshop no one on the Council approved a "Value Engineer review" of the Sed Basin project or bid and no one approved a re-write of the bid so it could go to COP Construction. COP Construction, to date, has not been awarded a bid for the Sed Basin project. To quote from the minutes of the July 11 workshop, "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 time frame necessary to go forward with the project this fall if the council accepted the bid on August 1st . . ." It is now August 8 and staff, Great West and now COP Construction continue to attempt to get this Council to agree to this bid which is nearly \$2 million over budget.

At the July 18 Budget and Finance meeting the high bid for the Sed Basin came up for discussion. At that meeting I had asked why Great West continued to insist that money that had been earmarked by FEMA to be used on the now completed, but not paid for, water intake west of town could be used to finance the Sed Basin project. The issue was explained, **roughly**, that Great West was referring to the City's over-all ability to pay for, or obtain financing for, the Sed Basin project and that it was Great West's insistence that the money the state still owes the City of Laurel as matching disaster project funding would somehow magically appear and the City would financially be able to take on another multi-million dollar project. I asked if Great West had bothered to check with the Clerk Treasurer before submitting the bid and the Clerk Treasurer commended that they had not, to her knowledge checked with any City staff before putting the project out for bid.

That statement is further supported by discussion at the August 1 Budget and Finance meeting where CAO Heidi Jensen, who was in attendance, stated that we should listen to what COP Construction had to say about reducing the costs of the Sed Basin project because "they took out improvements to the 2003 water intake which added to the total and which I would have never allowed as part of the project and I did not know was in the bid".

Unfortunately, the very fact that COP Construction **took ANYTHING** out of the Sed Basin project changes the scope of the bid and therefore requires a new bid go out. This entire Sed Basin project has been ill thought, rammed through by Great West with no oversight by City staff, is risky to finance even if it is done at the original \$5 million cap that was Great West's original limit and is now being reduced by COP Construction who has no authority whatsoever in the matter since they haven't been awarded a bid.

If the City Council allows this bid to go through we will be limited in every area of the City. We will have **NO reserves**. No money for emergencies like broken water mains; no money for raises; no money for pot holes or simple improvements beyond what we now do. I think discussion on this project should stop immediately with **no** vote on a resolution to accept or reject a bid next week. I would recommend we discuss this matter again after the first of the year.

*Emelie Eaton's
Statement
08/08/2017*

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City Of Laurel

P.O. Box 10
Laurel, Montana 59044



Office of the Chief
Administrative Officer

MEMORANDUM

TO: Mayor Mace
CC: City Council
FROM: Heidi Jensen 
DATE: August 3, 2017
RE: Sedimentation Basin Project

There has been substantial discussion with the Council regarding the funding and continuation of the sedimentation basin project. As you are aware, the project is required in order for the City to continue providing excellent water service to the residents of Laurel. Based on the current situation, I believe it is imperative to provide you the facts and circumstances surrounding this project and the reasons why the project remains crucial and necessary notwithstanding the increased costs the City currently faces.

- The existing sedimentation basins were constructed in the 1920's, and they are degrading rapidly, which is of great concern to Staff. Frankly, if the sedimentation basins fail, the City will lose the ability to process drinking water.
- As Council is aware, the sedimentation basins have been scheduled for replacement since 2009. Since 2009, Staff has worked diligently to identify and secure alternative funding sources, including \$125,000 from DNRC, \$500,000 from TSEP, and \$1,900,000 from CHS Refinery. The City had planned to save and utilize \$1,500,000 in reserves to reduce the loan from the State Revolving Loan Fund. However, the City's plan changed when the emergency water intake project required the use of the reserves for completion.
- Even though the bids for this project were higher than estimated, the project remains absolutely crucial for the operation of the City's water system. At this time, Staff understands there may be a desire to immediately stop this project. However, Staff's recommendation is to move forward with a reduced project that is within the City's budget at this time. As our engineers and contractor have indicated, the cost for the project will continue to rise due to ever increasing construction and material costs, and a delay in the project might be catastrophic if the sedimentation basins do fail. Currently, the City's water intake project is concluding. With the conclusion of the project, the City will again be able to replenish its financial reserves, especially in light of the fact that the State is providing two interest-free 3-year loans from the State Revolving Loan Fund.

- At this time, the City's ability to get water from the sedimentation basins to the filters at the Water Treatment Plant is currently at maximum capacity during summer irrigation and when the CHS Refinery requires treated water due to high turbidity in the river. During peak hours the water plant is not able to produce sufficient amounts of water. As a result, the City is forced to rely on the water reservoir to meet the peak water demand. This problem will worsen as the City continues to grow and demand for potable water increases.
- Finally, in addition to the problems described herein, be advised the City's existing basins are not protected or covered and are exposed to all weather conditions. In addition, Staff has expressed serious public health and safety concerns due to the lack of protection for the basins. The threat of vandalism, poisoning and the possibility of an accidental release of contaminants are truly concerns that Staff constantly expresses.

For all these reasons, it is Staff's recommendation to move forward with a reduced project that is within the City's available budget. The City's Staff, engineers, and contractor are confident a reduced project can be brought forward at this time without delaying the project and ultimately substantially increasing the cost, which is not in the City's best interest. The project is crucial and, based on the recommendations of everyone involved, I am advising the Council to move forward with a reduced project that addresses the most serious and immediate problems the basins present. Portions of the project that could wait can be rolled into a future project for completion when the City's reserves have recovered.