

LEBANON CITY COUNCIL
Water Treatment Plant Update and Bid Alternatives
Work Session Minutes
July 13, 2016

Council Present: Mayor Paul Aziz and Councilors Jason Bolen, Bob Elliott, Robert Furlow and Wayne Rieskamp (Councilors Fisher and Grizzle were absent)

Staff Present: City Counsel Jessica Meyers, City Clerk Linda Kaser and Engineering Services Director Ron Whitlatch

Consultant Present: Wayne Gresh, Carollo Engineering

Mayor Aziz called the work session to order at 5:00 p.m.

Engineering Services Director Whitlatch introduced Carollo Engineering Consultant Wayne Gresh and provided an update on the Water Treatment Plant (WTP) Offsite Utilities Project. He reported that Russell Drive is closed; excavation started this week for storm sewer installation, to be followed by sanitary sewer.

He has not heard many negative comments about the project from the community. Staff provided notification as best they could – over 500 notices were issued three times; a neighborhood meeting was held; signs were put out; and notice was posted on social media.

Regarding a question about how the neighborhood meeting went, Whitlatch stated that approximately 500 mailers were sent and about 40 people attended. The biggest concern was expected traffic from the Mountain River Drive detour. The first Mountain River Drive entrance to the railroad tracks will likely be closed until about the time the school year starts. The area between the two Mountain River Drive entrances will probably be closed until October/November. The project should be complete shortly after the first of the year.

Both borings under the canal were eliminated from this contract because the City of Albany and FERC did not feel that FERC and SHPO requirements were met. Plans were turned in well within time for the 60-day FERC review. They did not like the design but could not say how they wanted things changed. A new design, including more geotechnical information, was put together but it has not yet been submitted for another 60-day review. The boring portion can be separately contracted or added to the WTP project.

Whitlatch confirmed for Mayor Aziz that there are two canal crossings. Upgrading the outlet pipe of Cheadle Lake was part of the Albany agreement, so this was incorporated into the project. The other crossing is for the raw water line. Responding to Mayor Aziz's question, Whitlatch stated that FERC did not like the plans for *both* crossings, with regards to the depth between the bottom of the canal and the top of the casing, and the canal head pressure, in case of a breach.

Mr. Gresh gave a PowerPoint presentation (a hard copy was also distributed) updating the Council on the WTP bid packages and cost estimate comparisons. The low bid being nearly 40% above their estimate, Carollo fully understands the position that this places Lebanon in. Research into the discrepancy showed that their cost data did not reflect current market conditions for some project elements (those associated with building practices and skilled trades). He spoke about parts of the project that were in line with the engineer's estimate, those that were not, and reasons why they believe they were not in line.

Additional factors affecting the cost estimate are the expandability of the WTP, which amounts to a 30%-40% increase in the cost of the facility, and the membrane systems, which came in well under the estimate. Most of the industry is saying that this pricing structure will be here for a while.

Councilor Furlow asked for differentiation between materials and labor. Mr. Gresh stated that the difference is due in some degree to the materials but a lot of it is labor costs. Many other large building projects in the state have also gone over their estimates. Councilor Furlow asked whether Carollo calculated the cost of expandability versus what it would cost to make retrofits later. Mr. Gresh stated that they have not done the comparative analysis but they looked at properly sized equipment.

Responding to Councilor Rieskamp, Mr. Gresh indicated that the building size was oversized for expansion by about 6,000 sq. ft. Some of this is related to safety and convenience (for example, better access around the racks) for ease and quality of long-term maintenance. With funding limits, there is clearly no room for these amenities and expanded space.

Councilor Rieskamp asked for information about the construction elements of the building. Mr. Gresh stated that the outside was a composite-type material that would have provided 50-plus years of no maintenance; membrane and metal stud siding were underneath. The inside of most of the process areas was Hardie board. Included in the design were metal studs and framing that would have allowed flexibility in the future should the City need to add more pipe or conduit.

Responding to Councilor Rieskamp's question, Mr. Gresh indicated that because it is a water treatment plant (increased humidity and chemical areas), an all-wood structure was not looked at. The architect felt that a metal truss system was more cost-effective because of the loads and spans.

Mr. Gresh stated that initial concepts to reduce costs would affect the building (\$1.9 to \$2.3 million), electrical and instrumentation (\$400,000 to \$600,000), HVAC (\$100,000 to \$400,000) and process changes (\$1.6 to \$1.7 million) and is anticipated to total \$4 to \$5 million but this would result in a substantially different WTP building. If we can affect the project cost (in the \$30 million range) by this reduction, the project would still cost about \$25 million. Because of the market, he does not believe it can be reduced to the current funding limit of \$22 million. The processes and components are the minimum required by the State and minimum required to meet drinking water regulations. He believes the quality of the equipment is what the City would want for reliable long-term operation. There is also redundancy built in since this is the City's only water supply.

Regarding the processes being changed, Mayor Aziz asked if there is opportunity to build it into the system so that it could be upgraded to the original design. Mr. Gresh stated that after value engineering, he would like to return with a rock-bottom price for a facility that would reliably deliver water. Items that would provide the best value to the City could then be added in. Those things being removed from the project will not affect its ability to produce high quality water but it will mean that there will need to be more attention to operation.

Mayor Aziz expressed concern that with so many things being taken out, it then becomes an efficiency issue or that it will cost more in the end. Councilor Furlow agreed. Whitlatch stated that the whole basis for the design was ease of operation because operations and maintenance plays a big part. He does not see the reductions affecting long-term expansion. Mr. Gresh stated that projections are that the plant will not initially run for 24 hours per day so plant operators will have time to maintain the system for the first several years. He added that, because of the pilot testing, more efficiency in reducing chemical costs (than any other cost of the design) was achieved because we now know what the optimal chemical treatment for the plant is.

Regarding additional funding needed, Whitlatch explained that staff will be meeting with IFA, who has indicated that it is fairly likely the City could obtain an additional \$3 million at 1% interest. Staff is also working with the Cheadle Lake URD boundary amendment. There is also potential for an internal loan from Street SDCs. Staff will continue to work on these until all options are exhausted. The City could potentially add \$3 to \$5 million without any additional rate increases, but it is not a guarantee because we do not know what IFA will require. He confirmed for Councilor Elliott that staff is aiming for \$25 million, which would build a very simplistic building.

Whitlatch discussed options moving forward. There are issues with another design/bid/build option. Staff is looking at a Construction Manager/General Contractor (CM/GC) project delivery which is a common standard approach for larger building projects. Staff feels that it is time for a contractor to come in and provide real-time pricing. He described the two-phase CM/GC approach and the fairly aggressive project schedule as outlined in the PowerPoint. The goal is to have a contractor with a guaranteed maximum price on board by February 2017.

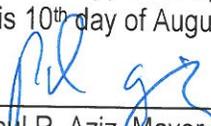
Councilor Furlow stated that the CM/GC approach was used in most of the hospitals he has worked at. It allows the greatest flexibility and provides the best opportunity for cost control. Councilor Rieskamp stated that it worked well for the Library/Justice Center project. Whitlatch agreed and said that the CM/GC will enable the City to control costs.

ADJOURNMENT

Mayor Aziz adjourned the work session at 5:58 p.m.

[Minutes prepared by Linda Kaser & Donna Trippett]

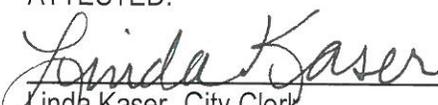
Minutes Approved by the Lebanon City Council on
this 10th day of August 2016.



Paul R. Aziz, Mayor

Bob Elliott, Council President

ATTESTED:



Linda Kaser, City Clerk