



## Bid Award and Contract Authorization Stallings Lane Wellhouse Project

| Meeting Date | Staff Contact                  | Email                                                                      |
|--------------|--------------------------------|----------------------------------------------------------------------------|
| May 13, 2025 | Adam Hanks, City Administrator | <a href="mailto:Adam.Hanks@ci.coburg.or.us">Adam.Hanks@ci.coburg.or.us</a> |

### SUMMARY AND REQUESTED COUNCIL ACTION

Acting in the role of the Local Contract Review Board, this item is a request for bid award to HP Civil Inc as the responsible and responsive low bidder with a bid of \$1,332,780 as well as an authorization for the City Administrator to execute the associated contract for the Stallings Lane Wellhouse Construction Project. This project is the second phase of a three-phase project providing additional water supply to the City's municipal water system. The project was put out to bid on April 11, 2025 with a closing date of May 6, 2025.

#### Suggested Motion

*I move to accept the bid and award the City of Coburg Stallings Lane Wellhouse project to HP Civil, Inc in the amount of \$1,332,780 as the responsible and responsive low bidder as reviewed and determined by the City of Coburg contract City Engineer and authorize the City Administrator to execute the project contract.*

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### BACKGROUND

Utilizing the 2016 Water Master Plan, the City obtained a \$5.6 million dollar Water Loan managed by Business Oregon in 2019 to make significant investments in the City's municipal water system. A number of important projects have been completed, including the Coleman waterline replacement, the waterline extension to the east side of I-5 (included a bore under I-5), purchase of the Stallings Lane property and the drilling/tapping of a well on Stallings, which represents phase one of this current three phase water supply project.

#### Water Loan Details

- Executed in 2019
- Project priorities and initial cost estimates taken from 2026 Water Master Plan
- Water Fund revenues (rates) estimated based on population growth estimates that projected much higher growth than actually occurred leaving a smaller customer base than anticipated
- Two extensions have been applied for and granted to extend the loan expiration date to March of 2026

# CITY COUNCIL STAFF REPORT

- Approximate remaining funds available for disbursement totals \$1.3 million
- Debt service for the total loan amount begins in December of 2026 (FY27) with an estimated annual payment of \$170,000.
- A one time accrued interest payment of approximately \$175,000 will be due in early FY27 in advance of the initial annual debt service payment.

As has been discussed in a number of Council meetings over the past several years, project costs have sharply increased, leading to the constriction on the number of projects accomplished with the water loan funds compared to the original estimate and plan. The sharp increases in project costs have not subsided and even appear to be more significant as the spend-down of the water loan funds near the finish line.

As recently as six months ago, staff and the City's engineer, Branch Engineering, anticipated utilizing the remaining \$1.3 million in loan funds to complete both phase II and III of this water supply project but the current construction cost environment have clearly altered that plan. See below for a summary of the water supply project phasing/cost plan

| Stallings Lane Water Supply Project |                               |                                    |                          |              |
|-------------------------------------|-------------------------------|------------------------------------|--------------------------|--------------|
| Description                         |                               | Bid, Construction & Purchase Costs | Design/Eng & Other Costs | TOTAL        |
| Pre-project                         | Stallings Lane Land Purchase  | \$ 475,000                         | \$ -                     | \$ 475,000   |
| Phase I                             | Well drilling/casing/capping  | \$ 550,000                         | \$ 100,000               | \$ 650,000   |
| Phase II                            | Wellhouse/Treatment/Equipment | \$ 1,500,000                       | \$ 700,000               | \$ 2,200,000 |
| Phase III                           | Transmission Line to System   | \$ 900,000                         | \$ 100,000               | \$ 1,000,000 |
|                                     |                               | \$ 3,425,000                       | \$ 900,000               | \$ 4,325,000 |

The proposed budget for FY26 anticipated the full drawdown of the remaining water loan funds of \$1.3 million and an equivalent capital expenditure of \$1.3 million for phase II and III. It is evident that not only will Phase III not be possible in the coming year, but decisions will need to be made regarding how Phase II is moved forward and funded.

## RECOMMENDATION

Staff has identified several options for Council to consider below. Staff recommends moving forward with option one.

### Option 1

- Award the bid for Phase II for the wellhouse, treatment equipment, controls and security
- Direct staff to provide an amended capital budget for the Water Fund in the proposed FY26 budget for Council's review and approval at the June 10, 2025 meeting, increasing capital expenditures by \$700,000 and reducing the ending fund balance by \$700,000.

# CITY COUNCIL

## STAFF REPORT

- Complete all water loan disbursement requests to exhaust all remaining water loan funds
- Suspend all new capital project expenditures until a revised Capital Improvements Plan for the Water Fund has been presented and approved by Council
- Requires an additional funding solution of approximately \$1 million to connect the new water supply to the City's distribution system

### Option 2

- Do not award the bid for the Phase II project
- Forgo the use of the remaining \$1.3 million from the water loan
- Reduces future debt service from \$170,000 to approximately \$130,000
- Requires an additional funding solution of approximately \$3,000,000 to complete the project and connect to the City's distribution system. Note: The \$3 million estimate is expected to continue to increase and would be significantly higher if additional funding opportunities turn out to be two, three or more years out.

### BUDGET / FINANCIAL IMPACT

As noted above, both options alter the proposed FY25 budget, either by increasing capital expense appropriations (and reducing ending fund balance) by \$700,000 or by reducing the loan proceeds revenue and capital expense appropriation by \$1.3 million.

The Water Fund has a proposed ending fund balance of \$3,090,651 which allows for the ability to offer (and recommend) Option 1 of moving forward with the phase II project and utilizing ending fund balance to account for the overall project cost increase.

### PUBLIC INVOLVEMENT

The Water Loan and the projects that it funds have been identified and discussed in a number of prior Council meetings and work sessions, most directly and formally in the July 2024 Council Work Session and the annual Capital Improvements Plan Council review/approval meetings (April 9, 2024 and February 11, 2025)

### NEXT STEPS

If award is approved (option 1), Staff will coordinate with HP Civil for contract execution and will develop and present an updated Water Fund budget for review and incorporation into the final draft FY26 budget for Council adoption at the June 10, 2025 Council meeting.

### ATTACHMENTS

1. Intent to Award Notice
2. Submitted Bid Summary – All bidders
3. Project Contract – Draft (as included in bid packet)