

MINUTES OF THE WORK SESSION
CITY COUNCIL OF CREST HILL
WILL COUNTY, ILLINOIS
August 4, 2022

The August 4, 2022 City Council work session was called to order by Mayor Raymond R. Soliman at 7:00 p.m. in the Council Chambers, 1610 Plainfield Road Crest Hill, Will County, Illinois.

The following Council members were present: Mayor Raymond Soliman, City Clerk Christine Vershay-Hall, City Treasurer Glen Conklin, Alderman Scott Dyke, Alderman John Vershay, Alderwoman Claudia Gazal, Alderman Darrell Jefferson, Alderperson Tina Oberlin, Alderman Mark Cipiti, Alderman Nate Albert.

Also present were: Administrator Jim Marino, Director of Public Works Mark Siefert, Assistant Public Works Director Blaine Kline, City Engineer Ron Wiedeman, Mike Ott (Strand & Assoc), Dominic Gattone (Strand & Assoc), Alex Craven (Via Zoom) of Burns McDonnell, Dave Naumann (Via Zoom) of Burns McDonnell.

Absent were: Interim Planner Maura Rigoni, Police Chief Ed Clark, City Attorney Mike Stiff, Finance Director Lisa Banovetz, Economic Developer Tony Budzikowski, IT Director Tim Stinnett, Alderman Joe Kubal.

TOPIC: West Plant Bid Award Discussion

Mayor Soliman presented the West Plant Bid Award Discussion per the memo dated August 4, 2022. Director Siefert thanked everyone for being in attendance at tonight's meeting. Back in January of 2021 this was brought before Council. At that time, the bids came back high. The size of the plant and design were discussed. This plant went out for bid in 2013 and the bids came in over budget. The project was put on hold. Several of the Council members have toured the existing treatment plant over the years. We have met weekly to discuss EPA compliance, plant size and one that will be able to hit the conditions for today and in the future that are imposed by the EPA. Every few years the IEPA will add another contaminant that needs to be addressed. The City went out to bid May 14th. The IEPA requires a 45 day bid time frame, but we have a 60 day bid frame due to the complexity of this project. Bids were opened on July 14th and the lowest bid was slightly over \$51 million dollars from Vissering Construction located in Streator, Illinois. The original pre-bid engineering estimate of construction costs was \$40 million dollars. City Staff and the consultants have come up with a plan for the plant funding. Alderperson Oberlin asked when we rehabbed the East Treatment Plant what was the cost. It was \$23 million dollars. Construction began in 2010 with completion of the plant in 2013.

Engineer Weideman explained that the bids came within 3% of each other. The 3 main factors of this project are the contractor hold prices for 145 days. Once the plans are sent to the State, this is how long they have to review it and get it back to us. Current inflation is driving prices up. Engineer Weideman's recommendation is to try to finance the project. If we try to rebid it, we may lose the interest rate that we are at and the \$5 million dollars of forgiveness. Mr. Ott explained that this isn't just a problem that the City is experiencing. A number of projects that they have worked on have come in 15% to 20% higher. The contractors have to look to the future when they bid these projects as to what their expenses are going to be with labor and materials. Engineer Weideman explained that this is a small site that will have a lot of materials to put there. The majority of materials will be stored

off site, then brought in when it is needed. Alderperson Oberlin asked how this site compares in size to the East Plant. Director Siefert explained that the East Plant had a larger area to construct a new building. The West Plant has no additional space for a building. We were able to construct a new facility and keep the old one running until we made the switch. Unfortunately, we don't have this luxury at West Plant. It will have to be done in steps as the plant will have to remain functional during the construction. Mr. Ott explained that the plan that was scrapped did not factor in additional capacity. This project will add 75% capacity to the plant. There are two additional processes that will have to be added to the plant. Alderperson Oberlin asked if a new contaminant is added during the construction of the plant, will this have to be taken into consideration. Director Siefert explained the normal way a contaminate is introduced is a 15-year process. 5 years of monitoring, 5 years of testing, and a 5 year build out. Mr. Ott explained that PFAS is the next contaminant that is being studied. This facility will include a centrifuge which will make the volumes of sludge smaller. Alderperson Oberlin said that she read an article regarding the sludge that was spread in areas of Will County and the amount of PFAS it contains. Mr. Ott said that part of the article was in regard to sludge that is hauled out of Chicago, which is slightly different because it contains sludge from industrial sources. Illinois is trying to take the same route that Michigan is going. They are treating PFAS similar to radium. They allow it to be land applied until you get to a certain concentration. At that point, the field would then have to be retired.

Director Siefert explained the City hired Burns and McDonnell to perform a water rate study in 2020-2021. At that time, the West Plant was estimated to cost \$45 million dollars, with an interest rate of 1% over a 20 year period. The annual debt service would be \$2,493,700.00. We received confirmation that we are going to receive a 30 year loan, .75% interest rate, and a half a percent taken off to bring it down to .73%. Because of the application that Mr. Ott put together, we are going to receive \$5 million dollars in forgiveness. Unfortunately, we do not receive the \$5 million dollars until the close of the project. Anything over \$49,500,000.00 would have to be funded by the City. The new debt service is \$1,654,400.00 which is a savings of 839,000 per year.

In addition to the construction costs there are four other items that will have to be paid for. Also, we have to show we have the contingency and the interest on the loan, which is \$688,000.00. Alderperson Oberlin asked what the difference is between paying on a 20 year loan versus a 30 year loan. Mr. Ott would get the numbers together for the Council as he did not have them tonight. Treasurer Conklin thought the 20 year would have been \$5 million dollars in interest. Mr. Ott said that there is no reason why the loan can't be paid back quicker than 30 years. Alderman Jefferson asked if we qualify for any grants other than the \$5 million dollars in forgiveness. Director Siefert explained that the forgiveness and the rate are the grant. Mr. Ott explained how the rates are calculated. Treasurer Conklin explained that with the rate reduction and forgiveness the repayment interest is going to be the same as the 20 year. The agreement spells out the amount of inspection hours and Strand tries to be specific with their time schedule. They agreed to the flat payment every year. Mr. Ott explained that if the project takes longer than specified, this will have to be addressed. Engineer Weideman explained that we have budgeted for 2 ½ years of inspections full time, and 6 months at half time. There is a little bit of leeway in there in case we go over. Treasurer Conklin questioned how this can be audited. Mr. Ott explained that they identified a set number of hours and will track the time spent on site. Engineer Weideman explained that the agreement spells out the number of hours they anticipate over the time period. Mr. Ott went over the other items that are included in the agreement. Engineer Weideman went over how many meetings are scheduled, the items that will be

discussed, and what will be assigned at each meeting with Strand. Alderman Vershay asked how much larger will this plant be than the existing one. We will be going from a DAF (daily average flow) of 1.3 million to a DAF of 2.3 million per day. One of the main issues at the West Plant is during rainfall. The DMF is currently 3 million gallons and in the future it will be 5 million gallons. Director Siefert then went on to explain since we are elongating our payment we would start off the first few years of taking it out of our fund balance and replacing the money with the savings on the annual debt service to pay Strands fees.

Director Siefert explained that the second item is the IEPA Mandated Contingency of 3%. As part of the loan mandate a contingency fund or proof that the City has the funds available in case of unexpected changes in this project's scope. Currently the intent is that anything that comes up would come out of the Water and Sewer fund. The fund currently has \$10 million dollars in it. If we need to use any of these funds, we will have to get Council approval through a change order. Treasurer Conklin explained that you have to show that this is budgeted if necessary.

Director Siefert informed the Council that the third item is the base bid above the loan amount. The base bid came in at \$50,640,000.00. The low bid came in at \$51,770,000.00. Because of the three bid alternatives that we put into the contract; we are able to take the base bid down to \$50,640,000.00. We are able to take the grid removal out and switch our integrator from one to the other and this is a savings of \$350,000.00 and a savings of \$150,000.00 to switch blower manufacturers. Altogether we are looking at a savings of 1 million dollars. Alderperson Oberlin asked for an explanation on how we came up with these savings. Director Siefert explained how this was worked into the contract. We have the ability to choose which manufacturer we would like to go with, and this can lead to a cost savings. The staff proposes to fund the first 46 contractor pay requests with loan funds disbursed by the IEPA up to the loan maximum of \$49,500,000.00. The difference between the loan and the projected cost of the project will have to come out of City funds. The rate study assumed the debt service payment in the amount of \$2.4 million dollars would begin fiscal year 2025, however, payments won't actually begin until fiscal year 2027. That allows us two years of planning money that can be pushed back for payments later on. Mr. Ott explained that the City is dispersing payments through out the construction of the project. The contractor would submit pay requests. These would be reviewed and prior to submission to the Council. The pay request is also sent to IEPA. They would send the City a check and in turn we pay the contractor. The interest on the loan is capitalized and added to the back of the loan. Treasurer Conklin questioned the retainage. We would hold back 10% retainage up to 50% and this would eventually dwindle down to 1%. Alderperson Oberlin said that this is similar to a letter credit. Alderman Jefferson asked if the project has to be done with prevailing wage and with union contractors. It would. Director Siefert explained that this project is more stringent because it is funded through an IEPA loan.

Director Siefert went over the Fund Balance Withdrawals, which has changes from the Rate Study. There is \$10 million dollars in the Water & Sewer fund. In the first two years we would be spending \$400,000.00 and \$830,075.00. In theory because we are not spending as much as we thought we would be adding \$3.2 million dollars over 2023 and 2026. We would deduct \$4.1 million in 2027 and adding \$839,323.00 in 2028. Alderperson Oberlin asked where the funds are coming from to add to the balance. They would come from the debt sewer charge. The goal was to get through construction, make the payments and then decide if it is better to do a pay off in 20 years or go the entire 30 years on the loan.

Director Siefert presented the Cost Cutting/Value Engineering. Staff along with Strand & Associates have identified 15 to 25 non-essential or redundant items which have the potential to save rough \$1 million to \$2.5 million dollars. The items will not affect the final operation of the facility but were included to provide the City an up to date treatment plant facility. Some of the items can be eliminated and other procedures implemented to get the same results. Director Siefert explained what the term redundant means in regard to the IEPA wordage. Alderperson Oberlin asked if these redundant items are part of the processes or back up equipment. It is backup equipment. As far as the cost savings, we can't give the Council a definite number until we approve the contract with Vissering Construction and begin negotiations. Alderman Cipiti asked what would happen if the contractor does not agree with the changes we would be requesting. Engineer Weideman explained that the bid documents are written to allow us to make any changes that we want. Treasurer Conklin asked for an example. Director Siefert gave the Council a scenario regarding removal of sand from the filtration system. This is an example of something that can be done in house. You cannot be billed by the contractor for work they don't perform. Alderperson Oberlin thanked everyone for the efforts that were done, and for trying to save money. Director Siefert explained that that next step we need to take in regard to Council is to award a notice of intent to award with Vissering for the \$50,640,000.00. The next step is to take all of the bid documents and submit it to the IEPA for review. This takes 90 to 100 days. Once the IEPA has certified the bids, they will issue a loan agreement and notice of award that will come back before the Council. This has to be done within 120 day of the bid opening. This would take us to mid-November to award the contract. After this you are looking at another 20 days to execute the contract. The contractor has 140 days to hold the contract. If it's longer than that, they can raise the prices. Engineer Weideman explained that everything has to be to the IEPA by Labor Day. Treasurer Conklin said that the last time they spoke we had discussion on a potential savings of \$2 million dollars. What has happened with this. Engineer Weideman explained that it was their goal to get up to \$2 million in savings. This is still our goal. Treasurer Conklin does not want this to be overlooked. He thought that this was part of the memo, but it was not included. Administrator Marino explained that he took it out. Engineer Weideman said that they can update the memo to show a goal of upwards of \$2 million dollars in savings. Alderperson Oberlin asked about the memo in questions. Treasurer Conklin explained it dealt with the City attempting to find some savings. Director Siefert would be happy to add this to the request. Discussion followed on how this goal can be achieved. Engineer Weideman explained that this project is complex, and Strand is doing everything they can to figure out where the issues might be. Alderman Jefferson asked for an explanation of the total expenditure versus the total loan amount. Director Siefert went over the bid amount, the base cost, and the \$5 million dollar forgiveness we would receive. Alderman Cipiti asked if due to unforeseen circumstances, could the cost of the project increase. That is what the 3% contingency is for. Director Siefert said that we have been working with Burns and McDonnell. Dave Naumann informed the Council that the \$5 million dollars in forgiveness, the low interest rate and the duration of the loan will create savings. There is a fronting of cash over the next 2 to 3 years. He went over the West Plant Project Cash Flow Impact chart with the Council. Much of this has already been discussed. Lines 1 through 7 pertain to the rate study. Lines 8 through 13 reflect the cost as we understand them today. Two big benefits are that you are going to get savings on a long term basis and because the debt payment begins two years later you gain about \$5 million dollars in cash flow. They are projecting solid cash flow generation over the next 3 years. The City is in a good position to make this work. Treasurer Conklin asked if we are going to be expending \$2 million dollars in 2025 and 2026. One of the questions that needs to be addressed is how to fund higher expenses anticipated during FY 2023, 2024 and 2027. The analysis indicates

this funding may come from reserves or alternately, the City could consider a short term loan which they are not recommending. Discussion followed on the interest rate that would have to be paid on a loan versus what the money being deposited would earn. Director Siefert explained that while we believe that we can absorb the short term increase in costs, it is possible that unfavorable trends such as customer growth, usage O&M or capital costs may prompt the plans to be adjusted for the future. Currently we have two employees on staff at the West Treatment Plant. With the expansion of the plant, we may need to increase this.

Director Siefert explained in closing, we will be asking for approval of the notice of intent to award the West Plant reconstruction in the amount of \$50,640,000.00, to direct staff to address cost savings measures and award Strand & Associates construction management contract. Treasurer Conklin asked where the equipment and supplies are going to be stored during construction. Director Siefert explained that a contractor does not get paid for supplies or equipment that is not put in place. If the equipment is stored on City property they would get paid 100%. There are questions as to who would be responsible and would insure the equipment. Treasurer Conklin asked who would keep an inventory and audit of the equipment and supplies. Engineer Weideman explained that Strand will be responsible for the equipment and supplies and may have to bring in some type of structure for security purposes. Mr. Naumann explained how they are calculating the possibility of saving up to \$2 million dollars. The 75% to 100% can be changed, but it will still be the responsibility of Strand to make sure the equipment and supplies are secure. Mr. Naumann does not recommend storing certain pieces of equipment in Public Works. Smaller items would be acceptable, but not larger items. Mayor Soliman asked if we have ever worked with Vissering in the past. We have not, but the City of Joliet has. Director Siefert went over some of the construction projects that they been involved with. Strand is currently working with the company on a pumping station in Aurora. Discussion then followed on the awarding of the bid by the Council. Engineer Weideman explained that once the contract is signed, the cost of the project is fixed. Mr. Naumann explained that they tried to put in an inflation based bid to bring the number down. If inflation goes higher, the contractor would be entitled to more money. Mayor Soliman commented in regard to the bids being so close in price. Mr. Ott explained that as part of the East Treatment Plant project, they have submitted their first disbursement request to the IEPA in the amount of \$400,000.00. Treasurer Conklin questioned page 28, section 2 "This results in an additional savings of \$4,987,400.00". Director Siefert explained that this is actually a reallocation of funds. This will be a cash flow influx for the first two years. Discussion followed on the fund balance and rate study. Alderperson Oberlin thanked everyone for their hard work on this project.

Alderman Cipiti asked for the City Administrators input on the project. Administrator Marino explained that City Staff has kept him informed of what has been going on with the project. He commented that everyone has done a wonderful job on putting this information together.

Mayor Soliman asked for an informal vote on the West Plant Bid Award Discussion. All members present were in agreement.

PUBLIC COMMENTS:

There were no public comments.

MAYORS UPDATES:

Mayor Soliman announced that there is only 1 item on the agenda for the work session scheduled on Monday August 8th regarding fireworks. He is requesting that the work session be cancelled.

COMMITTEE/LIAISON UPDATES:

There were no committee updates

CITY ADMINISTRATOR UPDATES:

There were no administrator updates.

The meeting was adjourned at 8:40 p.m.

Approved this _____ day of _____, 2022

As presented _____

As amended _____

CHRISTINE VERSHAY-HALL, CITY CLERK

RAYMOND R. SOLIMAN, MAYOR