

SANDSTONE CITY COUNCIL
SPECIAL MEETING
WEDNESDAY – JUNE 5, 2019
5:00 p.m.
AGENDA

1. Call to Order
2. Roll Call
3. City Hall Boiler Project (pgs. 2-3)
4. Fire Hall Building Improvements (pgs. 4-6)
5. Adjourn

CITY OF SANDSTONE
Memorandum

TO: Mayor and City Council
FROM: Kathy George, City Administrator
DATE: June 5, 2019
SUBJECT: City Hall Boiler Project

BACKGROUND: Staff has been working with Engineers from LHB on plans and specifications for replacing the boiler at City Hall, which involves the following project scope:

City Hall:

- replace boiler
- new gas line / connections
- replace ceiling tile as necessary; salvage as much as possible
- demolish heating water piping; abandon in place portions under slab
- demolish fin tube radiation
- replace VAV terminal unit & controls (zone control)
- new duct work, tubing, and associated items
- remove existing overhead electric service lines
- Extra costs are anticipated from the electric company for moving the lines

Alternate Work:

- Library - in floor heat (bid as a deduct from the base bid)
- Replace water heater & cap chimney

This project was previously bid out, with bids opened on April 15th. The project was bid with the Fire Hall Building Improvements Project, as a package deal. Various factors were in play; but, basically, the low bid would have been either \$430,000 or \$457,744 depending on alternates.

At the April 17th Council meeting, it was decided to reject all bids and bid each project (City Hall Boiler and Fire Hall Building Improvements) separately.

The second round of bids were opened on Thursday, May 30th. The following bids were received:

<u>Bidder</u>	<u>Base Bid</u>	<u>Alt #1</u>	<u>Alt #2</u>	<u>Total w/Alt #2</u>
Gopher State Contractors Rice, MN	286,160	(5,585)	7,400	293,560
Lundberg Plbg & Htg Aitkin, MN	264,300	(5,000)	4,500	268,800
Ray Riihiluoma, Inc. Cloquet, MN	342,000	(9,000)	13,000	355,000

Alternate #1 is a deduction from the base bid if the City decides not to replace the tubing for the in-floor heat in the Library. When the engineers were here designing the boiler project, they noted that the tubing is deteriorating. As long as the boiler work is being done, they thought it prudent to include replacing the tubing in the bid.

Alternate #2 is an addition to the base bid to replace the water heater and cap the chimney. The chimney has been a source of leaking for many years. The only item affected by the chimney now is the water heater. If the City replaces the water heater, the chimney could be de-commissioned.

In checking with Mike Bubany, David Drown Associates, regarding the Minnesota Rural Water Association MIDI Loan Program, the annual debt service payment based on a project cost of \$268,800 (Lundberg's bid) would be about \$26,000 per year.

The City currently receives rent income from the DVS and from CIP which total \$21,760/year. During the 2019 budget process, the City moved \$22,044 from the General Fund budgeted revenue over to the Capital Improvement Fund for City Hall improvements. These funds could be used to make the annual debt service payment, and the City could increase the Capital Fund levy by \$4,000 to cover the difference.

STAFF RECOMMENDATION: Accept the bid from Lundberg Plumbing & Heating, don't remove the Library in-floor heat from the project (Alt #1 deduct of 5,000), and include Alt #2 to replace the water heater and cap the chimney. Total project cost would be \$268,800. The project would be financed via the MIDI loan program through Minnesota Rural Water Association. Payments would be made using the rent income of \$22,044 and an increase to the Capital Fund levy of \$4,000 per year.

CITY OF SANDSTONE
Memorandum

TO: Mayor and City Council
FROM: Kathy George, City Administrator
DATE: June 5, 2019
SUBJECT: Fire Hall Building Improvements Project

BACKGROUND: Staff has been working with Engineers from LHB on plans and specifications for various improvements at the Fire Hall. Along the way, there have been some items added to the “base” projects, resulting in the following project scope:

Fire Hall:

- enlarge middle garage door for new ladder truck
- replace 6 pedestrian doors
- replace 6 windows
- demo and replace sidewalk on south side of building
- add new metal coping
- add new canopy/soffit / brackets
- repoint open joints in walls
- install air barrier, insulation and siding at various locations
- powerwash & coat remaining exterior wall surfaces
- replace heating ductwork with cooling coil; new ductwork and makeup air unit
- New thermostat
- New concrete equipment pad
- New compressed air system
- New CO/NO system

Alternate Work:

- the canopy was bid as an alternate
- siding and windows on the north wall were bid as an alternate

This project was previously bid out, with bids opened on April 15th. The project was bid with the City Hall Boiler Project, as a package deal. Various factors were in play; but, basically, the low bid would have been either \$439,933 or \$481,000 depending on alternates.

At the April 17th Council meeting, it was decided to reject all bids and bid each project (City Hall Boiler and Fire Hall Building Improvements) separately.

The second round of bids were opened on Thursday, May 30th. The following bids were received:

<u>Bidder</u>	<u>Base Bid</u>	<u>Alt #1</u>	<u>Alt #2</u>	<u>Total w/Alt #1 & #2</u>
Gopher State Contractors Rice, MN	368,650	127,450	19,650	515,750
Mark Haug Construction Pine City, MN	313,900	104,900	9,100	427,900
Ray Riihiluoma, Inc. Cloquet, MN	344,000	107,000	17,000	468,000

Alternate #1 is an addition to the base bid if the City decides to have a canopy constructed above the roof. The canopy not only provides architectural interest in the building, and would really dress up the main drag in town, but it is also intended to protect the doors from snow and ice build up. This will help protect the masonry on the front side of the building as well.

Alternate #2 is an addition to the base bid and adds three windows and some siding on the north side of the building. The windows and siding would break up that side of the building and, again, provide visual interest. The windows would also add light into the apparatus bay.

In checking with Mike Bubany, David Drown Associates, regarding the Minnesota Rural Water Association MIDI Loan Program, the annual debt service payment based on a project cost of \$427,900 (Mark Haug's bid) would be about \$41,500 per year.

The Fire Formula currently includes \$5,000 per year for the Building Repair & Maintenance fund, which is split by the townships and the City. The current balance in this building fund is \$67,283. If we spread that amount over the 15-year life of the bond, it comes to \$4,485 per year. If we add that to the current annual amount of \$5,000 that is in the Fire Formula, that would be \$9,485 per year that could be put towards the bond payment. This still leaves \$32,015 per year needed for the bond payment.

The City is currently paying an additional \$6,900 into the Building Repair & Maintenance fund to pay back the \$92,180 that it used for a previous building project. The current balance due from this old project is \$42,129. This \$6,900 payment from the City General Fund will continue until February 1, 2025. Because the City is paying this into the fund from the General Fund, it has no effect on the Townships. The \$6,900 amount paid each year will simply add to the Building Repair & Maintenance fund balance each year.

There are some equipment improvements included in the project scope – new compressed air system and the new CO/NO system. Although the project wasn't bid on a per item basis, the engineer's estimate for this work is \$59,000. The Fire Formula currently includes \$41,825 for the Equipment Fund. This fund is currently paying off the truck loan from the General Fund in the amount of \$27,094/year. The last payment will be made in July, 2021. The current balance in the Equipment Fund is \$208,561. If the equipment expenses of \$59,000 were spread over the 15-year life of the bond, that would be \$3,933 per

year. When added to the \$9,485 amount mentioned above, this would bring the amount available for the bond payment to \$13,418 per year, leaving \$28,082 per year needed for the bond payment.

Our 2020 budget is already set for the Township formula. The first payment due would be interest in the approximate amount of \$15,000 due on August 1st, 2020. This payment could be made from the Fire Fund – Building Repair & Maintenance. Every year, any funds spent on Building Repair & Maintenance are subtracted from the Bldg Repair fund balance. This would be the case for the 2020 payment.

The full annual payment of approximately \$41,500 would be effective in 2021. As we work on the 2021 budget next January/February, we would need to add an expense of \$28,082 for the annual debt service payment. Using Pay 2020 calculations from the township formula, this change would have the following effect on the City and Township contributions:

Sandstone City	\$ 9,830
Danforth	\$ 1,525
Dell Grove	\$ 8,104
Finlayson	\$ 1,780
Kroschel	\$ 1,634
Sandstone Twp	<u>\$ 5,209</u>
TOTAL	\$28,082

STAFF RECOMMENDATION: Accept the bid from Mark Haug Construction, include Alt #1 and Alt #2 in the project. Total project cost would be \$427,900. The project would be financed via the MIDI loan program through Minnesota Rural Water Association. I further recommend we pay for this project as detailed above.

If the City decides to proceed with the MIDI Loan Program, Mike Bubany (David Drown Associates) will attend the July 17th Council Meeting to present the “locked in” numbers for the bond.

