



Rochester Hills

Minutes – Draft

City Council Regular Meeting

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*Kevin S. Brown, Dale A. Hetrick, Greg Hooper, Adam Kochenderfer, Stephanie Morita,
Mark A. Tisdell and Thomas W. Wiggins*

Vision Statement: The Community of Choice for Families and Business

Mission Statement: "Our mission is to sustain the City of Rochester Hills as the premier community of choice to live, work and raise a family by enhancing our vibrant residential character complemented by an attractive business community."

Monday, September 28, 2015

7:00 PM

1000 Rochester Hills Drive

DRAFT - EXCERPT

2015-0375 Presentation of Options for Fire Station #4 Construction; George W. Auch Company, presenters

2015-0363 Request for Purchase Authorization - BLDG/FACILITIES: Increase to Blanket Purchase Order for Construction Management Services for the Fire Station Project in the amount of \$5,915,118.00 for a new not-to-exceed amount of \$6,080,143.00; George W. Auch Company, Pontiac, MI

President Hooper stated that both the Presentation and the item regarding Construction Management Services for the Fire Station Project would be discussed together.

Scott Cope, Director of Building/Ordinance Compliance, introduced Sean Canto, Chief of Fire and Emergency Services, and noted that also in attendance were Aaron St. Dennis and Jim Munchiando from George W. Auch Company, the Construction Managers, along with representatives from the architectural firm, CHMP. He presented an overview of the Fire Station Project timeline:

- City Council was presented with a recommendation from the Public Safety and Infrastructure Technical Review Committee in July of 2014. At that time, a preliminary budget of \$6.8 million was provided for the projects including renovation of Stations #1, #2, #3 and #5, along with a new building for Station #4.*
- September 2014 - City Council approved the contract for CHMP as the architect to facilitate the design of the construction projects.*
- December of 2014 - City Council approved the site plans for Stations #2, #3, #4 and #5.*
- April 2015 - The Construction Manager was hired. The Administration reviewed the projects and the scope of the work and it was determined that City staffing in the Facilities Division and Purchasing area was not sufficient to be able to handle all of the activity that would be necessary for these projects. The services of a construction manager was retained for the pre-construction phase.*

- June 2015 - The Construction Manager's estimate was substantially higher, at \$10.4 million.
- June-July 2015 - After receiving the estimate, the Architect, Construction Manager, and Fire Department and Facilities Staff spent hours reviewing every line item in the project, looking for what could be done to cut costs and try to minimize the overage. While the review allowed for the saving of substantial dollars, it was not significant enough to make an impact.
- August 2015 - Bids were received higher than were projected by the Construction Manager.
- September 2015 - The Construction Manager provides guaranteed maximum prices for Stations #1, #2, #3, and #5 at \$5,915,118 and for Station #4 at \$4,563,951, for a total of \$10,479,069.

Mr. Cope noted that while the total appears to be close to the Construction Manager's June estimate, the June figure included some additional charges that the City is responsible for. He highlighted the additional charges that are not included in the guaranteed maximum price amounting to \$1,135,130. Significant amounts for those charges include equipment/furnishings, and architecture fees. The total project budget for all five stations is \$11,614,199.

A chart highlighted a comparison of the estimate and bid figures for each station. He noted that the original estimate for total costs for all stations was \$7,777,184.

Mr. Cope noted the line items that resulted in the estimate being so far off of the actual figures. He displayed a chart beginning with the original estimate of \$6.8 million, and explained that scope changes accounted for \$792,000.

He stated that drainage issues were encountered for Fire Station #4 which impacted owners neighboring the property. It was necessary to address these concerns, resulting in an underground storage retention being needed that significantly increased the cost. In addition, there were some concerns related to the screening and look of the property as it abutted the neighbors which resulted in additional costs of \$35,000 for plantings and a landscape wall that the Planning Commission requested be incorporated.

He noted that the estimate that was originally provided did not include the Construction Management Fee at \$1,298,819. Based on the percentage of cost, the Architectural Fee of 7.5 percent would also increase by \$365,930. He noted that the Administration is in negotiations with the architect at this time and feels that there will be a reduction in that fee. The Contingency, based on a percentage of cost, will also increase by \$354,000.

He mentioned that as seen in other projects, there have been increases to construction costs in the year since the original estimate was provided. He commented that the Building Department is seeing these increases in projects that are being submitted for review. He stated that there is a shortage of contractors and this shortage is resulting in significantly higher prices.

He explained that the Administration wanted to look at every option available, and reviewed Station #4 as it was the largest component of all the projects. He noted that Aaron St. Dennis, George W. Auch Company, would review the options.

Mr. St. Dennis stated that multiple options were explored in the value engineering process to ensure that all options were exhausted. One option that came up was using the existing site where Station #4 is currently located. Three main factors were considered, including maintaining the square footage, addressing the City's needs in maintaining the operations of Fire Station #4, and whether the project would fit on the current site. An overlay was displayed depicting the current site, and it was noted that a cellular tower was on the property. Upon consideration, it was noted that the project would fit. He commented that there would be a few items on the east side of the building, including the patio and a bump-out vestibule that would have to be adjusted. He stated that the main focus was to get a turnaround for the trucks to access, obtain the four apparatus bays needed for the original design, and develop a similar building to what was previously designed.

He presented a chart which highlighted the cost estimates for the four options considered, and summarized the options:

- Option 1 - Build Station #4 as it is bid on the vacant property to east of the existing building.
- Option 2 - Level the existing building and build on the same location. There would be approximately \$200,000 to \$300,000 in cost savings.
- Option 3 - Keep the two existing bays currently on site, demolish the remaining portion of the building, and add two bays and living quarters. The result would be the same square footage as Options 1 and 2.
- Option 4 - Leave the two existing bays, add one bay and living quarters to the east. This option would shrink the total square footage by roughly 1,000 square feet.

Chief Canto reviewed the different options. He began with Option 3 and 4, noting that the Department would have to work with the Construction Manager to ensure that Fire Staff would be able to stay in the station and work out of it. He commented that he did not believe that the estimates included working out of a trailer, and utilizing the existing apparatus bay.

For Option 2, he noted that if the building were torn down completely, Auburn Hills confirmed that they would allow Fire Staff to co-locate at their Squirrel Road station for a period of time. He commented that response times would increase with units dispatched from their location.

For Option 1, he stated that Fire Staff would be able to stay in the current station while the other station was being built.

He commented that there are challenges with each option; however, there are none that could not be overcome. He added that increasing the station to house four bays would allow equipment to be stored out of the weather, including the Child Safety House which is currently stored outside year-round and requires annual repairs. Furthermore, the second ambulance would be able to be run out of that station.

Mr. Cope noted that expanding that station affects the number of staff located there.

Chief Canto commented that Station #4 is operational; however, it is not very functional. The Department planned on running three individuals out of that station, where now only two individuals are housed there. He noted that there currently are no accommodations for a female fire fighter at Station #4; females currently must shower in the men's locker room.

Mr. Cope pointed out that Options 2, 3 and 4 would have to be re-bid, and he stated that this presents a potential for a price increase. He added that architectural fees for plan revisions are not included, nor are the costs for any temporary trailers needed to house firefighters.

Public Comment:

Scot Beaton, 655 Bolinger, stated that while he knows that the costs are hard to consider, public buildings are there to support public needs. He commented that while some changes may have been proposed to what was originally expected, fantastic new public buildings would result. He stated that it is his opinion that the Fire Department and the consultants involved have all done an excellent job, and he looks forward to these new structures in Rochester Hills. He stated that it is difficult to demand that the private sector construct a more elaborate building while the public sector erects something cheaper.

Council Discussion:

President Hooper commented that while the market is the market, the project cost yields sticker shock. He questioned the Construction Manager's portion of \$1.298 million, noting that it must represent more than just the fee.

Mr. Cope responded that this amount includes the General Conditions, Insurance, Bonds and Construction Management fee.

President Hooper pointed out that the Architects were originally happy with 7.5 percent of the estimated budget, and he stated that they should be happy with that original amount. He commented that while they should be entitled to a fee for any increase in the scope of work, they should not be reaping a windfall from the City for market cost. He stated that he does not see the increase as an item Council should approve funding for.

He reviewed Option 1, noting that Fire Staff would stay in the building during construction. For Option 2, the entire building would be leveled and Fire Staff would have to move to an alternate location. Option 3 would be to maintain the bays and include trailers to house Fire Staff. Option 4 would be the same as Option 3, with a smaller building resulting. He noted that with all options, a contingency is built into the project cost, approximately \$900,000.

Mr. Wiggins questioned whether the total project cost of \$11,614,199 includes all soft costs.

Mr. Cope responded that this figure includes all of the additional costs that the City will incur and incorporates the Guaranteed Maximum Price.

Mr. Wiggins questioned whether this includes the contingency fee, representing a worst-case scenario price of \$11,614,199.

Mr. Cope responded that this was absolutely true, with the caveat that Council would have to make a decision tonight to go with all five stations. He stated that if considering other options for Station #4, with the need to rebid that portion of the project, the resulting bids could differ.

Mr. Wiggins questioned whether all five stations would be rebid.

Mr. Cope responded if Council were looking at options for only Station #4, only Station #4 would be re-bid. He noted that Option 1 has been bid and is a guaranteed price.

Mr. Wiggins commented that if rebidding, prices would most likely go up again.

Mr. Cope concurred that they would. He added that the bids have a deadline. After the deadline, the bidders have the option to pull back their bids.

Mr. Wiggins questioned how long the deadline has been known.

Mr. Cope responded that this deadline was known since the bids were received; however, work has continued to mitigate costs.

Mr. Wiggins commented that this puts Council on the spot. He noted that the potential costs have been known since June; however, Council is being asked to make a decision in just a few days.

Mr. Hetrick expressed his appreciation for the fact that the project cost would be capped at \$11.6 million if Council chooses to proceed tonight. He questioned what happened to alter the scope of the projects. He pointed out that the scope change for Station #4 alone was nearly \$2 million.

Mr. Cope responded that the preliminary budget is an estimate, which is adjusted to the actual numbers once the project is bid. He stated that the difference is \$792,000 for all five projects, representing the difference between the preliminary estimate and the hard price of the bids received.

Mr. Hetrick stated that he would agree with Chief Canto that there are functional things in the stations that must be addressed. He commented that Council toured the stations and observed areas where conditions were appalling, including the lack of women's facilities. He noted three important items to be addressed, including sleeping quarters to cover 24/7 operation for both men and women, providing women's facilities, and upgrading kitchens. He stated that opportunities to adjust the costs downward could be in slimming down the fitness and office areas, or eliminating signage upgrades. He commented that while he can see the importance in providing a fitness area, he wants to ensure that the City is spending

the residents' money appropriately. He stated that he is not ready to approve another \$4 million. He noted that the project should focus on the sleeping quarters, women's facilities, and kitchens.

Mr. Cope responded that signage was removed from the project, cutting approximately \$250,000. He stated that all portions of the projects were reviewed; and he would commend Chief Canto for his foresight to design buildings that will be there for the future. He commented all possible options for cutting costs were reviewed, and these are bare-bones stations with the necessities required for the firefighters that work there.

Chief Canto noted that a community/conference room was incorporated for Station #4 to provide an area for someone in the community to hold a meeting. He commented that while that was not originally planned, the intent was to provide ways for the building to be used by the community as well. He stated that he is looking at these buildings for the future, and does not wish to come back in ten or twenty years to ask for additional work. He commented that the cost associated with the architect or construction manager for changes could be reviewed.

Mr. Hetrick stated that right now he is having a difficult time considering the \$4 million in additional capital needed. He questioned whether the DPS Facility could be utilized to store equipment that is not accessed on a regular basis.

Mr. Cope responded that the DPS building was reviewed for housing trucks and providing temporary living quarters for Station #2, saving approximately \$100,000 due to eliminating the need for temporary trailers. He stressed that the projects were reviewed line by line. He commented that even eliminating some of the items that were just mentioned would not result in cost differences of millions of dollars. He noted that this is the reason why these items were not brought to Council previously, as the project was being closely reviewed in an attempt to find a way to bring the project in at the original budget. He stated that if the City wishes to have fire stations that are the minimum required, this configuration is what is needed.

Mr. Hetrick commented while he would agree that the stations should be functional, perhaps Option 4 for Fire Station #4 should be considered to drop another half-million dollars from the total. He stated that another effort should be made at getting the numbers lower.

President Hooper commented that in order to have significant savings and drop the total cost to the budgeted amount, a station would have to be dropped from the project.

Mr. Cope noted that the second item for consideration this evening was to approve the work for Stations #1, #2, #3 and #5 without Station #4 as it is the most viable part of the project to have options for or eliminate. He pointed out that dropping that station from the project does not correct the conditions that Chief Canto mentioned earlier for women's facilities and the ability to have more than two staff members at the station.

President Hooper noted that Option 1 for Fire Station #4 is ready to go. Council could opt to move forward and not redesign. He pointed out that there would be a fee for redesign. He questioned when the bids were called in.

Mr. St. Dennis responded that it was August 7, 2015, with a 60-day hold on the bids.

President Hooper questioned whether the bids would be good until October 7, 2015.

Mr. St. Dennis responded that was correct, or perhaps a little bit longer.

Ms. Morita commented that she also toured the stations and would agree that there is a need for change. She expressed concern that staff knew about this pricing issue since June and July, and her first indication of the difference was in Council's packet last week, with the entirety of it being made available to her at 5:00 p.m. today. She stated that she has had the information for four hours, while staff was sitting on the information for two months without any indication to Council that this would be a significant problem. She commented that this project could impact the safety of the residents, and she stated that it is highly concerning that it has taken this long to bring it to Council's attention. She commented that she believes it is unfair to put Council on the spot with a deadline three days away and limited information as to what is being changed on the projects and what the projects will look like when they are completed. She stated that Council has a fiduciary duty to the residents. She pointed out that the thought was that when all of the stations were bid together, there would be cost savings realized. She suggested that bidding the projects together has led to the possibility that a monster has been created, as significantly more demand has resulted. She stated that the projects need to be staged more carefully and spaced out, and she commented that she could not approve an additional \$4 to \$5 million tonight. She questioned whether this was properly noted on the agenda and if Council could act upon that request tonight.

John Staran, City Attorney, noted that Legislative File 2015-0363, refers to an increase in the Blanket Purchase Order for all stations except Station #4.

Ms. Morita stated that she did not realize that she would be asked to approve that amount this evening. She noted that she would like more specifics on how the designs have been pared down, based on the information that was provided to Council on what would originally be going into each station, and what the changes are that the City would be paying for with \$6- to \$7 million dollars. She stressed that she would like to know what would happen with the pared-down projects for Stations #1, #2, #3 and #5 and what has been cut out. She commented that she does not know if, based on the City's needs, she would approve cutting those things out of the stations. She stated that she does not wish to be paying more down the road if the projects are not completed properly the first time. She questioned where the \$5 million overage would come from. She stated that she would assume it would result from budget cuts from other funds. She commented that this is not planned for, Council is being rushed to make this decision, and she did not feel comfortable voting on any increase at all this evening with the information provided.

President Hooper requested where the additional funding would come from.

Keith Sawdon, Director of Finance, stated that the Fire Fund Operating Balance has funds available. He noted that by using \$2 million from that fund, the fund would still be within the confines of the Fund Balance Policy. He pointed out that the only other undesignated Fund Balance available is General Fund, as all other Fund Balances are designated for the purpose in which the revenue was collected. Therefore, \$2 million from Fire Operating and \$3 million from General Fund would be required. He added that all \$5 million could come from General Fund; however, not all \$5 million could come from Fire Fund as it does not have the ability to provide those funds and stay within the Fund Balance Policy.

Ms. Morita questioned how it would affect the new millage rate if it would come out of the Fire Operating Fund, and if it would affect the Capital Fund Balance.

Mr. Sawdon responded that it would not. He explained that in the forecast, Fire Operating in the seven years going forward is not predicted to change. He commented that Fire Operating Fund Balance has been at that level for multiple years, and the forecast predicts that it should remain that way for years to come.

Ms. Morita questioned what percentage of General Fund that \$3 million represents.

Mr. Sawdon responded that General Fund currently has \$23 million available. He noted that even with the forecast going out 30 years, and with the Capital Improvement Program in place for Local Roads, that Fund Balance does not change for the 30 years. He commented that within the seven year forecast and beyond, the City is using current revenue generated by General Fund to generally do most of the Local Road improvements. He pointed out that in 2016, the City is only pulling \$1 million out of General Fund Fund Balance to do almost \$5 million in improvements. Going forward in 2017, from memory, he believes it will be \$1.2 million from General Fund Fund Balance to do just under \$5 million in improvements. Therefore, General Fund Fund Balance is considered healthy. He commented that if \$3 million were removed from General Fund Fund Balance, the City would still have approximately 90 percent coverage of General Fund expenses over 30 years.

Ms. Morita requested that Mr. Staran comment whether Council could consider the increase.

Mr. Staran responded that Council could, as this is not a Special Meeting. He stated that even though it is not on the Agenda, Council has the legal ability to add items and act upon things. He commented that it is up to Council whether it finds it advisable to do so.

Mr. Cope addressed Ms. Morita's concern about how long it took to bring this to Council, noting that the team has been working very diligently from the time that

the bids were brought in to verify that the prices were accurate prior to submitting them to Council. He requested Mr. St. Dennis review the bid process.

Mr. St. Dennis explained that following the bids being taken in, post-bid interviews were done with each and every contractor to ensure that their bid contains the scope and products called for and that they will meet the schedule for the job. He commented that this process does take time for the interviews of each and every contract. He added that bidding the projects together creates a more competitive market and a larger project for contractors to go after, yielding better pricing. He pointed out that bids were broken down by each station, and the lowest bids were noted for each station.

Chief Canto stated that all possible cuts were looked at, from installing fluorescent lights instead of LED lighting, eliminating full tile on bathroom walls to installing tile half way. He commented that when the stations were originally designed and direction was given to the architect and Building Department, the direction was that the result should not be anything elaborate. The goal is to be able to house staff, feed staff, provide a place to sleep, and have a place to put the apparatus. As items were being reviewed for cuts, it was proposed that tile become carpet to save funds. He stressed that the function of the station did not change; however, the core areas around the station may have.

Mr. Tisdell commented that whether it is this project or some of the road projects the City has undertaken, there have been other instances of surprises in the bid outcomes due to market fluidity. He stated that the market is changing; and he noted that it is changing at a rate that grossly outpaces the ability to generate incremental City revenues. He commented that he has personally had instances where the market has changed. He noted that changes are made in the scope of projections and plans are scaled back. He stated that he believes it would be silly for Council to continue down this road and try to cut everything in half and come out with five projects that are not worthy of what is increasingly seen as an elite city, not only in Southeastern Michigan and the state, but nationally. He pointed out that the City competes for residents and new recruits and must retain its people, and he does not want them in something that is halfway there. He commented that it is his opinion that the City cannot cut its way out of \$4- or \$5 million and get the project back into what it was originally planned. He noted that while the market has moved, the City cannot move as fast as the market has. He suggested that the project be kept within the budget and do the absolute best it can for the city with those dollars; and proceed further in later years.

Mr. Brown stated that it is more the point of how projects are estimated. He commented that in business, items need to be cost today that will be sold 18 months to two years from now. He noted that if an error is made money could be lost for five years in a row. He pointed out that \$6.6 million to \$10.5 million is a miss by 57 to 58 percent. He stated that he does not know how the City can retain estimators, even with market conditions changing, that are missing by 60 percent. He noted that it put the City in the situation where firefighters have been hired and staffing added under the assumption that great facilities will be available, and instead firefighters will be placed in facilities that are undersized. He pointed

out that if reviewing Option 4, and the estimates are wrong by 57 to 58 percent, that option would cost \$6.9 million instead of \$4.3 million. He stated that he needs to understand who is making estimates. He commented that for Station #4, the options range from \$4.4 to \$4.9 million; however, a guaranteed max of \$4.5 million was displayed on a slide. He questioned which number was being authorized. He expressed his frustration, and stated that when Council was looking at spending \$6 million, a full presentation was made as to funding and the resulting scope of the project. Instead, Council is looking at spending 60 percent more than that, and it is being presented a fairly condensed timeframe to make that decision. He stated that he would like to take a step back and undertake another round of design and bidding before jumping in to commit another \$4 million of resident funding.

He commented that Fire Station #4 options include saving \$563,000 out of \$5 million, or a little over 10 percent, with another \$5.9 million for the other stations. He suggested looking at options for the other stations to save 10 percent on those as well. He noted that he is not in a position to add 60 percent of the funding, however vital it is to support the Fire Department, as he cannot support misses that large.

Mr. Cope requested Greg Mason, representative from CHMP, the project Architect, address Council.

Mr. Mason stated that it was a shock to everyone when the bids came in. He explained how estimates are done, noting that back in September, preliminary designs were completed for the stations. From those designs, budgets were developed using RS Means, an up-to-date estimating annual publication, and a combination of current bids. He noted that the firm has designed and built over 40 stations and felt it had a pretty good feel for what these buildings cost. These items were the basis for the estimates used in October 2014. He noted that the firm had recently bid out Fort Gratiot's station, coming in at \$189 per square foot; and he pointed out that the systems put in those stations were identical, including heating systems, and type of construction. He commented that the City budgeted for an 8,300 square foot station at \$260 per square foot; and he noted that the bids came in at \$512 per square foot. He stated that when the bids came in their firm sat down with Auch representatives and asked how it was possible that bids were coming in at costs where hospital work was coming in at two years ago. He noted that the response was that it was market conditions. He pointed out that on some of the stations two or three bids were received; and he noted that market conditions have changed dramatically and are out of the range of RS Means or any ability to predict. He commented that feeling a sense of urgency, discussions were held with Chief Canto and the estimators regarding rebidding or making cuts. He noted that these are not elaborate buildings, they are nice buildings with low-maintenance materials and energy efficient systems. He mentioned that the design is almost the same as was undertaken for Sterling Heights in 2010, which was completed for \$160 per square foot. He stated that market conditions have changed dramatically. He commented that he was not opposed to looking at options such as rebidding or redesign.

He offered that he would be more than happy to review the components such as heating systems, types of materials, and standing seam metal roofs. He stated that only two to three bids were received on some stations. He pointed out that

the project was on the Michigan Intergovernmental Trade Network (MITN), along with all the websites, to advertise. Auch representatives called firms. He stated that the markets are saturated with work right now and the results of that fact are being felt. He commented that it is very unfortunate and CHMP feels horrible about it, and is working with the City, the Chief, and Auch to do what it can to bring things back in line. He noted that he has no good answer other than market conditions have significantly changed.

He mentioned that soil and geotechnical issues were encountered, such as the inability to use trench footings or mass pours, and the requirement for traditional-type poured footings, even though the original buildings were built with trench footings. He pointed out that the underground detention required is a large cost, yielding site costs along on Station #4 of over \$1 million for upgrades to the drainage system, paving, and the amount of fill. He stated that these are things that could not have been known at the time that preliminary budgets were put together; they were discovered when the investigation phase was undertaken, soil reports became available, and work with Engineering regarding drainage problems for the neighborhood behind. He stressed that these items came about after the preliminary budgets were established and the team began digging into these projects.

President Hooper questioned what could result with rebidding the projects.

Mr. St. Dennis responded that there is a chance that the price could go up. He stated that the market is not slowing down, there are more projects that are out there every single day, and there are half the tradesmen are in the state that there were five years ago.

Mr. Brown stated that he would say to the general staff that if a six- or seven-figure swing in costs are encountered, he would recommend that Council be advised by email that the problem is there and staff is working on it. He suggested considering staggering the projects instead of trying to build them all at the peak. He commented that something that should be \$200 per square foot is coming in at \$500 per square foot. He stated that perhaps the critical ones could be undertaken in 2016 and push off some of the others into 2017 and 2018. He noted that while it could go to \$600 per square foot, it could also go back to \$250 or \$300 per square foot. He stated that making a decision tonight is too rushed.

President Hooper questioned the construction timeframe.

Mr. St. Dennis responded that it is roughly one year, listing the range for the various stations. He noted that Station #4 was somewhat over one year.

President Hooper commented that Station #1 was three to four months.

Mr. St. Dennis responded that was correct, noting that it was an interior remodel encompassing mainly doors, adding a bunk room, and doing HVAC work.

President Hooper noted that Station #2 was estimated at 12 months.

Mr. St. Dennis stated Stations #3 and #5 were 48 weeks. He added that material costs are increasing as well.

Mr. Wiggins stated that Council supports the Fire Stations; however, it wants to find the best way to implement this. He questioned what would happen if work on Fire Station #4 were delayed, as it is throws the project over budget. He questioned how long it could be delayed.

Chief Canto responded that the station is operational. He noted that he would not be able to put the third person into that station as originally planned. He pointed out that the station barely houses the two individuals currently in it. He commented it would change his operational plans, and responses from that station for certain runs would have to have another unit going with them, as is currently done. He stated that doing this pulls the additional unit out of the other area.

Mr. Wiggins questioned whether expenditures such as taking \$3 million, or approximately 13 percent, from Fund Balance have been done in the past. He commented that no one figured that the estimate would be off by \$5 million and expressed concern for future contingencies that may be encountered.

Mr. Sawdon noted that the City does have \$23 million in Fund Balance; and removing \$3 million would leave \$20 million, or 90 percent of coverage. He stated that if the market is changing, perhaps his assumptions should change as well. He pointed out that most of the City's costs are personnel and fringe benefits, and there is not much exposure to those items driven by the Consumer Price Index. He stated that he feels comfortable if Council chooses to move forward that General Fund can provide this funding and Council could still continue with its road projects. He explained that when looking out into 2018, 2019 and 2020, the road projects funded in those forecasts are being funded out of current revenue sources and are not tapping General Fund Fund Balance. He noted that in the current forecast, the \$23 million never drops in 30 years.

Mr. Wiggins questioned whether there were other areas to find funding to make up the \$3 million such as road funding.

Mr. Sawdon responded that if General Fund expenditure budget were adjusted to find \$3 million, the most logical and easiest choice would be the funding for Local Roads. He stated that he would caution doing that, as there is a great need to improve the City's infrastructure. He commented that the funds are sitting in reserve earning less than one-quarter of one percent. Having the funds sitting in a bank account earning such little interest while construction costs are rising quite quickly is not preferable to investing in the infrastructure.

Mr. Wiggins commented that the costs should be spread out over a few years. He stated that Fund Balance is there for emergencies. He expressed frustration on how the project is so over budget. He strongly urged not to pay the 7.5 percent additional fee.

Mr. Kochenderfer questioned whether it was the architect that came up with the original estimate.

Mr. Cope confirmed that it was.

Mr. Kochenderfer commented that while it is difficult to frustrate Council to this extent, it has been done. He gave the example of a mechanic finding great expense is needed for a car repair, and stated that costs must be managed. He stated that he is convinced that the City cannot cut its way out of this problem. He commented that he does not think that Council is prepared to go forward tonight with the proposal it has in front of it, and it needs to strategize to find a way to spread the costs out and manage the project scope. He stated that it is an estimating problem.

Mayor Barnett stated that Council's frustration is well-placed and is well under the Administration's frustration when it began understanding the numbers. He noted that the Administration moved forward with numbers based on estimates developed by experts. He pointed out that in the last month, the Administration tried to assemble as much information as possible to bring to Council. He commented that Council should take the time it needs; however, it must understand the implications of any decision. He noted that there are operational and cost impacts to any decision. He stated that his direction to Chief Canto and Mr. Cope was that Council should be presented with three options: One option under budget, one that is everything that should be undertaken to complete what was originally thought could be completed, and a third option of a process somewhere in the middle. He stated that this may result in Chief Canto encountering operational issues, or Mr. Sawdon encountering financial issues. He stressed that this is in Council's hands to determine the direction to proceed. He mentioned that he and Chief Canto have gone to incredible lengths to think outside of the box in the last two weeks, meeting with Auburn Hills' leadership team to determine if something can be done that is different than what was done before. He commented that the Administration is not taking this sitting down. He stated that there are risks and rewards with each option. He noted there has been substantial internal discussion, including investigation as to why CHMP had different number than Auch, and whose were accurate. He noted that there is no expectation that a decision had to be made tonight; however, there will be an implication to not making a decision.

Ms. Morita stated that an architect's estimate of \$189 per square foot is now over \$500 per square foot. She commented that she does not understand how an architect can stay in business making this type of error in a six-month timespan. She stated that it would have been all over the news if construction prices had tripled in six months. She noted that her experience in working with public works projects is that sometimes the problem is with the architect. She stated that it would be worth investigation whether a different architect could draft plans and see how those bids come in. She pointed out that if Chief Canto

needs housing at Station #4, perhaps a trailer located on the empty lot should be considered at this point, rather than an extra \$4 or \$5 million in construction cost. She mentioned functional issues at other stations that should be fixed right away, such as the height of bays. She commented that she would have appreciated a head's up two months ago or meetings with Council. She stated that to say that is disappointing is an understatement of unparalleled magnitude.

President Hooper questioned whether changing architects would be prudent.

Mr. Munchiando responded that there could be costs for going out to rebid and bids could go up as well. He mentioned that the same problems have been encountered at the west side of the state. He noted that projects established in 2013 and 2014 are way out and many projects are not moving ahead because of this reason. He commented that changing architects is not the best thing for the City.

Mr. Hetrick confirmed Council's frustrations, noting that it would have been better to have conversations two months ago when the problems emerged. He stated that Council needs to see the specifics of how Station #4 can go forward before it can make an intelligent choice. He expressed his appreciation for Mr. Sawdon's commentary how the projects could be funded and how General Fund could absorb the need. He noted that at a minimum, Station #4 will have to come back for a second conversation. He commented that the City might never get back to the old estimate.

Mr. Wiggins commented decisions should not be made in a vacuum, and a decision about Stations #1, #2, #3 and #5 should not be made until how funding for Station #4 could be handled. He pointed out that the economy ebb and flow, and he stated that he would be willing to wait and formulate a long-term plan.

President Hooper pointed out that additional staffing has been hired to become a 24-hour operation and enable reduced response times for ambulance services. He questioned what temporary solution could be put into place to house them, or if trailers would be an option.

Chief Canto stated that this would have to happen, as Stations #3 and #5 do not have any sleeping quarters. Station #4 would require a trailer as well to house the three people. He commented that while the stations are operational, their functionality is not there.

President Hooper commented that he favored Ms. Morita's idea of putting trailers at Station #4. He noted that costs are not going to get cheaper, and he did not see any sense in redesigning with a new architect as this would not save any money. He commented that from his perspective Council should move forward with Stations #1, #2, #3 and #5, place trailers at Station #4, and take a year or two to determine the way to proceed with Station #4. He noted that this would result in four out of the five stations having long-term permanent facilities in line with the City's goal in reducing response time and placing three staff 24/7 at these stations.

Mr. Wiggins commented that this does sound like a plan and a good compromise, to accomplish four of the five stations within budget and move forward with Station #4 at some point.

President Hooper commented that it is his opinion that the contingency should be removed, and the construction manager should come back to Council on a quarterly basis with unforeseen costs and change orders as they are occurring. He noted that this would have the budget at the bare minimum to accomplish the project.

Mr. St. Dennis pointed out that the contingency for Stations #1, #2, #3 and #5 was considerably less than \$899,000, and would be \$510,000. He noted that the contingency is there to protect the owner and keep the project flowing. He pointed out that change orders are produced quickly, and contingency dollars are approved by Auch, the architect and owner as a team. Approving them on a quarterly basis would be slow.

President Hooper noted that a \$6 million contract minus the \$510,000 contingency would result in a \$5.5 million dollar contract. He stated that it would be known on a quarterly basis that additional funds would be needed.

Mr. Munchiando stated that when a Guaranteed Minimum Price is put together, it is line-by-line accounting. He commented that funds cannot just be shifted around, and he noted that it would be burdensome to bring back change orders.

Mr. Tisdell stated that he did not believe that Council is alleging gross negligence. He commented that the market has changed at a rate that outpaces the City's ability to adjust, and Council will not be able to cut its way to savings. He stated that he is in favor of moving on with the money it has, and maximize its operations. Council should decide what to do with the current funds today.

Mr. Brown commented that Council should be presented with what configuration would gain the best response time for \$7.8 million. He stated that instead of abandoning Station #4 from the project, perhaps the right decision is to do Station #4 and eliminate another. He noted that he would like to hear what proposal will yield the best response time.

Chief Canto stated that when he came to Rochester Hills, he began evaluating facilities and manpower. He noted that, for example, if there is snow or ice on the ramp at Station #2, the truck hits the building. Furthermore, there are only sleeping facilities for two at Station #2. No women's locker room or bathing facilities are available there. He commented that the station is considered operational. He pointed out that something needs to be done with Stations #3 and #5 immediately as they do not have sleeping quarters within those buildings. Stations #2 and #4 have sleeping quarters; however, there is no space to house the additional person. In addition, there are no separate men's and women's showering facilities. Station #2 does not have the correct height for its doors for apparatus to go in and out. He commented that some things need to be addressed. He stated that he would want to see Stations #1, #2,

#3 and #5 approved tonight. He commented that there was no previous planning on where the Department wanted to be ten years from now; and he stated that the facilities brought to Council were designed to serve the City for the next 25 years and provide 24-hour per day all-hazard Fire and EMS operation.

Mr. Hetrick stated that when working on the recommendation a year-and-a-half ago, Council wanted to plan for the future for 24/7 operation and facilities for men and women firefighters. He commented that the challenge before Council is to find a way to fund this activity. He questioned whether the bidders would hold their bids for another month to allow Council to know what it is agreeing to.

Mr. St. Dennis responded that he could not answer that question tonight, nor could he guarantee it.

Mr. Hetrick stated that this was the expected answer. He noted that there seems to be a consensus to do Stations #1, #2, #3 and #5 and place trailers at Station #4. He commented that if Council has no choice, perhaps the best scenario is the potential compromise.

Mr. St. Dennis commented that pushing this off for another month could mean that more winter conditions will be encountered. He pointed out that outdoor foundations on Station #2 need to be done, the masonry up, and the building enclosed.

Mr. Hetrick noted that Council's next Regular Meeting is October 12, 2015.

Ms. Morita questioned whether a trailer could be placed in the vacant area of Station #4.

Mr. Cope responded that he would have to look into it. He stated that he did not think there was any ordinance restricting the City from placing them; however, he would have to review the ordinance to be sure.

President Hooper commented that it was anticipated to have temporary trailers.

Mr. Cope responded that it would have to be known for how long.

Ms. Morita noted that they would be more of a permanent nature.

President Hooper commented that perhaps an exception could be made.

Ms. Morita stated that she would be in favor of asking contractors if they would be willing to hold their bids for two more weeks to allow Council time to review and understand the numbers.

President Hooper offered that a Special Meeting could be called for one week from today.

Ms. Morita commented that she would be in favor of a Special Meeting.

President Hooper questioned whether Council Members would be available for a Special Meeting.

Council Members confirmed that they would be available.

Ms. Morita noted that she would like an answer to the trailer issue provided in advance of four hours prior to the meeting.

President Hooper stated that an answer should be provided as to the trailer situation, how the projects would be pared down from the original design bid, where the savings were, if any, and any operational concerns.

Ms. Morita stated that she would also like to know if any of the other sites have the ability to locate a trailer for staff housing.

Chief Canto noted sleeping quarters are needed for Stations #3, #4 and #5.

Mr. Wiggins referred to the chart with the comparison of the architect's estimate to the preliminary bids. He noted that if Station #4 is removed and City costs are added back in, what savings could be made.

Mr. Cope stated that less money for special inspections would be needed, and he noted that for Stations #1, #2, #3 and #5, it would be approximately \$20,000. He explained that the hazardous materials survey has already been done. Equipment and furnishings are estimated at approximately \$50,000 per building, totaling \$200,000. He pointed out that the architectural fees are being negotiated and are not yet known.

President Hooper questioned whether Council had any other clarifying questions for staff. He noted that he would call a Special Meeting for one week from today for review and approval of the fire construction contractors.

Ms. Morita requested Mr. Sawdon provide a written explanation of the funding source for the extra money needed for Station #4.

Discussed.