



Rochester Hills

Minutes - Draft

City Council Special 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, October 5, 2015

7:00 PM

1000 Rochester Hills Drive

In accordance with the provisions of Act 267 of the Public Acts of 1976, as amended, the Open Meetings Act, notice was given that a Special Rochester Hills City Council Meeting would commence at 7:00 p.m. on Monday, October 5, 2015, to consider and approve options, possible modifications and funding sources concerning the Fire Stations Construction Project.

CALL TO ORDER

President Hooper called the Special Rochester Hills City Council Meeting to order at 7:01 p.m. Michigan Time.

ROLL CALL

Present 7 - Kevin S. Brown, Dale Hetrick, Greg Hooper, Adam Kochenderfer, Stephanie Morita, Mark A. Tisdell and Thomas W. Wiggins

Others Present:

*Bryan Barnett, Mayor
Sean Canto, Chief of Fire and Emergency Services
Scott Cope, Director of Building/Ordinance Compliance
Ron Crowell, Deputy Fire Chief
Lisa Cummins, Manager of Purchasing
Allan Schneck, Director of DPS/Engineering
Leanne Scott, Deputy Clerk
Joe Snyder, Senior Financial Analyst*

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

A motion was made by Brown, seconded by Morita, that the Agenda be Approved as Presented. The motion carried by the following vote:

Aye 7 - Brown, Hetrick, Hooper, Kochenderfer, Morita, Tisdell and Wiggins

PUBLIC COMMENT

Lee Zendel, 1575 Dutton Road, stated that anyone running for elected office has a duty to ensure that their signs are placed within the law and are not in the right-of-way. He pointed out that with the exception of incumbents, no other candidates for elected office are in attendance at tonight's Council Meeting. He mentioned an article that appeared in the New York Times regarding recycling.

LEGISLATIVE & ADMINISTRATIVE COMMENTS

Mr. Brown, Mr. Hetrick and Mr. Kochenderfer each expressed their appreciation to Chief Canto and City Staff for their rapid responses to Council's questions in the past week.

Ms. Morita noted that City Staff are not only responsive to Council but to the residents as well. She commented that this came to her attention 10 to 12 years ago when residents expressed opinions that they were ignored during the development of the Hamlin/Adams property. She stated that when she hears claims that City Staff were unresponsive and did not care, she knows that this is patently untrue.

Mayor Barnett announced that the Stonewall Pumpkin Festival is set for Saturday, October 10, 2015, at the Rochester Hills Museum at Van Hoosen Farm. He invited those interested to visit the Museum starting at 10:00 a.m., carve a pumpkin and take a hayride, and then return at dusk when over 1,000 pumpkins will be lit.

UNFINISHED BUSINESS

- 2015-0363** Request for Purchase Authorization - BLDG/FACILITIES: Increase to Blanket Purchase Order/Contract for Construction Management Services for the Fire Station Project in the amount of \$10,479,069.00 for a new not-to-exceed amount of \$10,644,094.00; George W. Auch Company, Pontiac, MI

Attachments: [100515 Agenda Summary.pdf](#)
[Fire Chief Canto Response 100115.pdf](#)
[Response to City Council Questions 100115.pdf](#)
[Fire Stations Cost Cutting Analysis 100115.pdf](#)
[Fire Station Project Scope Changes 100115.pdf](#)
[Sawdon Memo-Fire Station Funding 092915.pdf](#)
[Fire Station Funding Options.pdf](#)
[Fiscal Response to Morita Questions.pdf](#)
[Suppl Response to Additional City Council Questions.pdf](#)
[Suppl Funding Email-Tisdell 100615.pdf](#)
[Suppl Funding Email-Snyder 100615.pdf](#)
[Suppl Presentation 100515.pdf](#)
[Draft Minutes Excerpt - Fire Station Projects 092815.pdf](#)
[092815 Agenda Summary.pdf](#)
[Suppl Presentation 092815.pdf](#)
[RHFS GMP Stations 1, 2, 3 & 5a.pdf](#)
[091415 Agenda Summary.pdf](#)
[Auch Temporary Trailer Stations #3 & #5.pdf](#)
[091415 Resolution.pdf](#)
[092815 Resolution \(Draft\).pdf](#)
[Resolution \(Draft\).pdf](#)

Scott Cope, Director of Building/Ordinance Compliance, introduced Sean Canto, Chief of Fire and Emergency Services, and Joe Snyder, Senior Financial Analyst. He gave a presentation that recapped the proposed projects, scope changes, and areas where cost reductions were sought:

- Fire Station #1
 - * Interior renovation of 3,507 square feet, cost of \$404,345, reflective of the Guaranteed Maximum Price (GMP) by the Construction Manager. Work includes bunk rooms, fitness rooms, ADA doors and hardware, and front vestibule.
 - * Total Scope Changes - \$83,500, including ADA door compliance, WesNet system, electric cord reels in the bays.
 - * Cost cutting options were evaluated, and one area resulted in the elimination of the Fire Marshal's renovation, saving \$61,085.
 - * Building Permit Fees were eliminated for all projects, resulting in a savings for Stations #1, #2, #3 and #5 of \$57,400 in total.
 - * Electrical light fixtures, outlets and data outlets were reduced wherever possible for all Stations.

- Fire Station #2
 - * Interior renovation of 4,400 square feet, 1,883 square foot addition, cost of \$2,152,593 (GMP).
 - * This station requires work on the overhead doors to increase the height for fire apparatus.
 - * Total Scope Changes - \$228,500, including raising the overhead doors and installing a sprinkler system in the attic.
 - * Cost cutting options evaluated resulted in the elimination of the mezzanine at a savings of \$30,480, in combination with a redesign and elimination of the drive-through bay and reduce the building area from 6,753 square feet to 6,184 square feet, saving \$63,500. Having the living quarters at the DPS Building will save \$100,000. Windows were deleted at a savings of \$25,578 for Stations #2 and #3.

Mr. Wiggins questioned whether Station #2 currently has living quarters.

Chief Canto responded that there are living quarters at Station #2. However, with the raising of the overhead doors, the contractors would be able to have the entire station available to them if the apparatus were housed at the DPS Facility during construction and the firefighters utilize an area at the DPS Facility.

Mr. Cope noted that this was a station where a temporary trailer had been proposed to house staff.

- Fire Station #3

* Interior renovation of 4,483 square feet, 886 square foot addition, 81 square foot vestibule, cost of \$1,598,118 (GMP).

* Total Scope Changes - \$44,500, including increased temporary underground utilities, and clerestory windows.

* Cost cutting options evaluated resulted in elimination of building permit fees, and deletion of some of the clerestory windows (\$25,578 savings for both Stations #2 and #3 combined).

* Site lighting was deleted for Stations #3 and #5 for a combined savings of \$64,700.

- Fire Station #4

* New building of 8,345 square feet, cost of \$4,563,951 (GMP).

* The largest scope changes were related to the underground storm water detention system at \$118,000, new relocated traffic signal at \$115,000, and the retaining wall and plantings at the east property line.

* Various cost-cutting measures included elimination of building permit fees at \$39,300, and engineering review and inspection fees at \$56,600.

* Many of the same cost cutting evaluations were done at all the stations.

- Fire Station #5

* Interior renovation of 4,630 square feet, mezzanine at 1,060 square feet, vestibule addition of 69 square feet, cost \$1,760,062 (GMP).

* Total Scope Changes were \$88,000, and included extensive pavement cutting for new and temporary utilities, some interior slabs had to be removed.

* Cost cutting measures included deleting the site lighting at a savings of \$67,400 for Stations #3 and #5.

Mr. Cope recapped the construction project budget:

- Architect's preliminary budget estimate - \$6,800,000

- Scope changes - \$845,500

- Construction Manager's Fee - \$1,298,819

- Additional Architect's fee based on 7.5 percent - \$365,930

- Contingency increased - \$354,000

Mr. Cope stated that a big question is how costs have increased over the past year. He noted that the Architect's estimate was done from August to October of 2014; there is a \$2 million difference between the Architect's estimate and all the scope changes and various additional items. He noted that information was obtained from the American Institute of Architects which reported that construction spending is expected to increase at a healthy rate over next five years, predicted to rise nine percent for 2015 and 8.2 percent in 2016. The Portland Cement Association reported that United States cement consumption is up five percent in 2015 and is predicted to rise another 6.5 percent in 2016. Various organizations were

reviewed, all of which led to the prediction for increased construction spending. The amount of work out there is flooding the market and limits contractors' ability to bid on other projects.

He reviewed the total project costs, noting a proposed Guaranteed Maximum Price for all five stations of \$10,479,069. Construction Manager pre-construction and temporary trailer costs are \$165,025. Additional City Costs are \$1,135,130. The Total Cost for Fire Stations #1 through #5 is \$11,779,224.

Joe Snyder, Senior Financial Analyst, reviewed the funding options the Fiscal Division developed for Council's consideration. He noted that as the total project is expected to cost roughly \$11.8 million, and the current budget is \$6.8 million, an additional \$5 million will be needed. He stated that he would summarize the various options that he included in a memo drafted to Council this past Thursday.

He commented that not all of the City's funds are available for use on the Fire Station Renovations. He highlighted the City funds that are available for use:

- The Facilities Fund retains accumulated depreciation on all of the City's buildings. Fire pays depreciation on an annual basis and the funds are held in the Facilities Fund until the facility needs to be upgraded or replaced. The funds are then used for the project. Facilities will contribute all it can with respect to Fire accumulated depreciation, which is \$2.2 million. He pointed out that the buildings are quite old and were built much smaller 40 to 50 years ago under the Township model, and he stated that this is the reason there is not more accumulated depreciation in the Facilities Fund.*
- The Capital Improvement Fund is a fund designed to support City Capital Projects. Almost all of the undesignated Fund Balance in that fund has been tapped for the project.*
- The Fire Capital Fund was considered. During the Fire Millage discussion, it was presented to Council that while the Fire Operating Fund has a good projection, the Fire Capital Fund could run into some issues long-term. The Administration chose not to recommend tapping the Fire Capital Fund at this time. Chief Canto is looking into different options on how to replace Fire Capital to lower those costs and make the dollars in the fund extend further beyond the date currently projected.*
- The Fire Operating Fund receives the incoming millage, and pays staff. Originally, the Fire Operation Fund was not chosen as a source of funds for the project at \$6.8 million. The Fire Fund could contribute \$2 million from its Fund Balance and still be within its 20 percent target for this project. It was not initially chosen because it is a source to augment Fire Capital Fund should it be necessary for the replacement of ambulances or fire trucks.*
- The General Fund was chosen for the last source of funds for the original project budget in the amount of \$2.3 million. This would leave the General Fund still well in compliance with the required Fund Balance Policy.*
- Cuts to other areas of the City budget were considered to locate the additional \$3 to \$5 million; however, that would be very difficult. Cutting road or watermain project is not an option, as those funds are dedicated to those types of*

projects. He noted that Major Road or Water and Sewer monies cannot be used to pay for a fire station. That leaves dollars set for Fire or General Fund monies available for this project.

Mr. Snyder discussed the General Fund Fund Balance, noting that there has been concern expressed over using the General Fund Fund Balance. He noted that at the end of 2009, there was \$15.1 million in General Fund Fund Balance. That represented 73 percent coverage, which represents the percent of fund balance as a percent of annual revenues. He commented that coverage cannot drop below 20 percent. Five years later, in 2014, General Fund Fund Balance stands at \$31.2 million, gaining \$16.1 million over five years. Coverage at the end of 2014 is at 120 percent of annual operations. He explained that the approved 2016 Budget draws \$1 million from General Fund Fund Balance for 2016 to fund \$5 million in Local Street construction. The 2017 Projected Budget has an anticipated draw of \$1.2 million for a Borden Park Maintenance Facility project. He commented that while the budget for 2017 is not yet adopted, this is the only projected draw from General Fund Fund Balance. He stated that in the long-term forecast models, General Fund Fund Balance is not used as revenues equal expenses.

He compared Rochester Hills' General Fund Fund Balance to other similar nearby cities such as Sterling Heights, Novi, Farmington Hills, and Troy. He noted that the closest city to be similarly well-funded was Troy, with 76 percent coverage.

He mentioned the City and Government Financial Officers Association (GFOA) policies for fund balances, noting that the City's policy requires a 20 percent minimum, and the GFOA policy is 16 percent or two months' expenses. He explained that both the City and the GFOA policies prohibit the use of fund balance for ongoing funding of recurring operations. Fund Balance is a one-time revenue, and it is to be used for a one-time expense or a Capital Improvement. He pointed out that the number one goal listed in City Council's Goals and Objectives is Public Safety, while the number two goal is Infrastructure, which includes buildings. He commented that renovation of the Fire Stations is in line with Council's top two priorities and are one-time projects; and he noted that use of Fund Balance for the projects is in line with GFOA and City policies. He mentioned that the next replacement is not expected for 40 to 50 years, and he stated that at that point in time, funding will be through the Facilities Fund. He pointed out that there is a higher Facilities Inter-fund allocation for the Fire Department in the 2016 Budget; and he stated that when the stations come due for renovation or replacement in the future, the City should have the funds to replace them.

Mr. Snyder provided details of how General Fund performed over the last five years, noting that from 2010 to 2014, on average revenue was 4.2 percent over estimates, while expenses were on average 7.9 percent under the original budget. He stated that as of today, revenues are expected to be 2.5 percent higher with expenses four percent lower, with the possibility that these numbers could be even better. He commented that it is expected that revenue will provide \$500,000 more to General Fund in 2015, and expenses are expected to come in approximately \$1 million lower for 2015, for a net increase to General Fund Fund Balance of \$1.5 million expected. He mentioned that while it was expected to draw \$5.5 million from General Fund Fund Balance for 2015 with the largest amounts to Fire Stations and Local Streets. He explained that this draw presently looks to be in the range of \$4 million.

He reviewed the funding options for the Fire Station Projects:

- The first option considered is to draw the additional funding needed from General Fund Fund Balance. The original budget of \$6.8 million included funding contributed from Facilities Fund Balance, Capital Improvement Fund, and \$2.3 million from General Fund. At the time of the formulation of the original budget, if it had been known that the project would be \$11.8 million, the same thought process would have been utilized. He noted that the allocation from all funds would be the following: \$2.2 million from Facilities Fund; \$2.3 million from Capital Improvement Fund; \$2 million from Fire Operating, and \$5.3 from General Fund.

- A second option was developed out of a concern about drawing General Fund Fund Balance down by the full amount needed. He stated that if Council is not comfortable with taking that much from General Fund Fund Balance, another option could be considered. An alternative would be to draw \$2 million from Fire Operating Fund, decrease the transfer-out from General Fund to Local Streets by \$3 million and shift that money to the Fire Station Project. General Fund would then contribute \$3 million less to Local Streets. Local Streets could then either lower the amount for the Local Street Construction Program for 2016 from \$5.25 million to \$2.2 million; or it could instead utilize \$3 million of the Local Street Fund Balance to complete its 2016 projects. He pointed out that Local Streets currently has 6.7 million in Fund Balance, and with the use of Fund Balance, it would drop from 67 percent to 37 percent coverage. He noted that under the City's Fund Balance Policy, Local Streets must keep a minimum of \$2 million in Fund Balance. He added that General Fund could always shift funds back to Local Streets if needed.

- A third possible option to consider is to split the \$3 million draw from General Fund into two years, taking \$1.5 million in 2015 and \$1.5 million in 2016. He pointed out that General Fund could contribute \$1.5 million this year through its favorable budget variance, and projections are that it would be able to contribute \$1.5 million in 2016.

Chief Canto stated that when he first arrived in Rochester Hills one year and six months ago, he evaluated equipment, stations, training and operations. He noted that it became apparent quickly that the stations were not set up for efficient effective operation to provide service delivery to the customers. He pointed out that the stations, while they have served the city well over the years, were designed for a primarily Paid-on-Call department, where members responded from home, and not for a 24-hour-per-day operation. Over the years, the Department's run volume has continued to grow, the services provided to the community have continued to grow, and these items have increased the day-to-day administration and operation requirements. Stations have not kept up with operational needs, and facilities lack the ability to meet the diversity of membership. He expressed appreciation for Council's support to date.

Public Comment:

Lee Zendel, 1575 Dutton Road, stated that it is the laws of supply and demand that increase price. He noted that the commercial sector is also experiencing cost increases. He questioned whether the return on investment is there for the

project, and noted that with the global economy, recession seems inevitable and prices will once again fall. He stated that Station #4 reconstruction should be on hold.

Scot Beaton, 655 Bolinger, stated that while everyone wants the best for the Rochester Hills Fire Department, it might be cheaper for an architect to come in and start from scratch.

Council Discussion:

President Hooper stated that he works in the construction industry, and he cannot see prices going down in the next couple of years. He noted that there are more projects and fewer contractors; and unless there is a major recession, he cannot see the cost going down.

Mr. Kochenderfer expressed his appreciation to staff for responding to Council's questions over the past week. He commented that it is a reality that the bids far exceeded the estimates, and he noted it was a shock to everyone. He noted that the project was bid at what is considered the worst time of the year; and he pointed out that demand in the industry for other major projects in southeast Michigan including the new Red Wings Arena may have influenced the cost. He questioned whether there was a better than 50 percent chance that rebidding of all or some of the stations would lead to higher costs.

Mr. Cope responded that he believed there was. He noted that based on his research and discussions with the Construction Manager, their costs have risen five percent this year and are predicted to increase by 11 percent for next year.

Aaron St. Dennis, George W. Auch Company, stated that both material costs and wages are rising. He added that there are more projects out on the street every day. He commented that while he cannot be certain, based on their predictions, the rebidding would yield a higher price.

Mr. Cope requested **Lisa Cummins**, Manager of Purchasing, offer her comments.

Ms. Cummins noted that Purchasing has been seeing costs come in as much as three times over budget amounts. She mentioned that she reached out to several communities this morning and they report that cost increases are seen with all agencies. She noted that the City's Pathway Program is one example. She stated that the City's Asphalt program was bid out in February and March of this year, with costs coming in around \$100-plus per ton of material. When the Pathway Program was bid, cost came in three times over what was budgeted. She explained that this is why only a portion of the original Pathway Project could be completed. She noted that the project had limited bidders who were not the normal bidders for this project. She stated that the City's usual bidders are informing the City that they are too busy and the City's projects are too small in comparison to the other work. She commented that the trend is limited competition and escalating prices. She stated that she does not see this trend changing and cost decreasing anytime soon. She mentioned that Washington Township rebid a parking lot rehabilitation project that had come in overbudget in September of 2014, and the rebid in January of this year resulted in bid prices at \$230,000, severely over the budgeted amount of \$150,000.

Mr. Kochenderfer commented that he would not be surprised if there was a recession in the next one to two years; however, he would question how long the City would have to wait for construction prices to decrease. He pointed out that the projects relate to public safety, and the voters have indicated that they wish for the City to move forward.

Ms. Morita questioned whether the Fiscal and Purchasing Divisions will continue to ask Council to dip into the General Fund because of overbudget projects.

Mr. Snyder responded that it will be a case-by-case basis. He noted that Road projects or Water and Sewer projects have funding sources. He explained that many of these projects are derived from the Capital Improvement Plan (CIP) process with figures derived in the summer of 2014. He commented that much of the increases have been experienced in the last three to four months, and he noted that when the CIP process begins again in January, proposed projects will be adjusted for market cost. He stated that next year may see some additional increases, as the dollar amounts in the newly-adopted budget were derived before the escalation in prices came this past summer. He mentioned that the numbers included were considered good at the time; and it was not expected that materials such as asphalt would rise 50 percent in a matter of months.

Ms. Morita questioned how much in Capital Projects is planned for 2016.

Mr. Snyder responded approximately \$19 million.

Ms. Morita questioned what the chance would be that this figure would double.

Mr. Snyder responded that approximately half of the \$19 million are Local Street and Major Road projects. He commented that while there is a possibility that some of those projects will come over their budgeted amount, he did not believe it would be double, as not all those projects are road projects.

Ms. Morita expressed concern that if money is allocated to the Fire Department, there might not be enough funds to complete a road project. She questioned how projects can be prioritized.

Mayor Barnett commented that some projects are a blanket allocation for scope, and are not tied to spend additional funds such as the Asphalt or Concrete Rehabilitation Projects. While the scope may change on those projects, the additional funds do not have to be spent.

Mr. Snyder noted that the Local Street Program is \$5 million; and the project will be done within the budget, or Council will be given options. He stated that shared projects may go forward; however, other projects can be deferred.

Mr. Hetrick questioned how much of the adjustment resulted from bids coming in at the wrong season.

Ms. Cummins responded that it is project dependent. Based on the contractors she has talked to regarding the Asphalt Program, they are looking for their bids sooner. She noted that in talking to cities today, she found one community's road program pricing increased 150 percent and another 250 percent. Both released

bids at different times. She mentioned that it is her opinion that many of the smaller contractors that used to do the City's work have closed or were bought out, decreasing the City's vendor base. She stated that the larger contractors are not interested in the City's projects. She pointed out that the City cannot entice a bidder for the Columbarium Project as it is a small job that is labor-intensive.

Mr. Hetrick questioned whether cities have seen their facilities projects experience the same cost increases.

Ms. Cummins responded that other cities cannot find interested bidders and are often getting only one bid for general construction contracts or building renovations.

Mr. Hetrick questioned whether a \$6- to \$10 million project is considered small.

Ms. Cummins responded it is in comparison to other projects that are out in the market.

Mr. Wiggins questioned the General Fund Fund Balance projections of \$23 million at the end of this fiscal year out into the future. He stated that his first thought is to preserve General Fund Fund Balance as everything is going to be more expensive for the next one to three years and there will be other expenses for Water Resource and Fire Capital Funds along with other unanticipated expenses. He commented that he is in favor of spreading the costs out to preserve the Fund Balance. He questioned whether the City is considered in good shape if General Fund Fund Balance dips below \$23 million.

Mr. Snyder stated that the \$23.5 million figure is the amount at the end of 2017 and will be carried out in the projections. He noted that the City is in good shape until General Fund Fund Balance drops into the range of \$4- or \$5 million.

Mr. Wiggins stated that the Fund Balance is positive to the amount of \$1.5 million for 2015; however, there are recessions and cycles and this amount could fall to a negative range.

Mr. Snyder responded that he cannot imagine this happening as the General Fund is primarily staff and services. He commented that staff costs are capped and will not double. He noted that utilizing the two year positive budget variance is another method to take \$3 million from the General Fund without bringing the Fund Balance down. He stated that not phasing the projects would perhaps result in \$1.5 million coming out of Fund Balance and using the \$1.5 million overage. This would allow the whole project to be completed in 2016.

Mr. Tisdell stated that he has a philosophical problem with this as there has been an extraordinary unanticipated run up in prices with record-highs in square footage costs. He commented that there is always a risk to wait; however, locking in to an extraordinary situation does not make sense. He stated that he would like to take advantage of the \$1.5 million positive fiscal swings expected in the next two years and measure them against other projections. He commented that he favors the fact that Local Roads Funds cannot transfer to General Fund; however, the reverse can occur. He pointed out that Stations #1 and #2 overages are within the six to

11 percent increases in costs that were noted; however, Station #4 is 100 percent over the estimates. He commented that if the City is comfortable spending an additional six to 20 percent over projections as other projects have fallen in those ranges recently, he could support moving forward. He is not convinced that the City should be locking in costs at 50 percent or higher over estimates. He commented that he would favor taking the upcoming projected overages and leveraging them against potential favorable prices.

Ms. Morita questioned whether the cellular tower standing next to Station #4 could be moved and how much it could cost to do so, to allow an addition instead of demolition and total reconstruction, necessitating a large amount of landscape work and retention ponds.

Mr. Cope responded that based on his understanding in discussions with the City Attorney, it is the responsibility of the tower owner to pay any relocation costs. He stated that the challenge remains in order to have a resulting station with all the amenities that are felt to be necessary by the Fire Department, it is essentially a total reconstruction of the building. He pointed out that an addition was one option presented at the last meeting for Station #4, and he noted that the largest difference for all of the options presented was \$600,000. He mentioned that none of the options presented included moving the tower as the existing building could fit without its removal.

Ms. Morita commented that it is good to want things and she realizes that the stations need renovating; however, she favors the idea of putting \$1.5 million away over the next couple of years. She stated that she is comfortable with going forward with Stations #1 and #2, as they were five percent and 20 percent over estimates respectively; however, Station #3 was 50 percent over, Station #4 was 100 percent over, and Station #5 was more than 50 percent over. She commented that she wished to ensure that the City can afford its other needs without consistently dipping into General Fund, and should take the stations one or two at a time to ensure General Fund Fund Balance stays healthy. She stated that the City has many expensive programs and CIP projects. She questioned whether Stations #3 and #5 need trailers.

Mr. Snyder noted that the projected \$1.5 million overage in General Fund this year provides half of the necessary \$3 million to cover the overbudgeted amount. He commented that while it is true that prices are going up, the General Fund does not have projects to cover; it covers mainly people. He noted that the City is conservative in its estimates for General Fund, as it has no idea whether someone will need to go on disability or retire and a vacancy will be unfilled. He stated that this is the reason that General Fund numbers usually come in positive. He commented that while financial planners recommend an individual keep two to three months salary in reserve, it could be viewed that the City has over a year in reserve.

Chief Canto responded that Stations #3 and #5 have no bunkrooms. Station #4 has a bunkroom; however, no separate facilities.

Ms. Morita commented that she would be in favor of opting for Stations #1 and #2, and rebidding Stations #3, #4 and #5, utilizing trailers at those stations. She stated that even if bids were to come back the same or even higher, she would be more comfortable going forward with construction as she would feel that the City did due diligence for the taxpayers.

Mr. Hetrick stated that he would agree that phasing these projects makes more sense as it allows the General Fund to accumulate to cover some of the overage in Station #4. He noted that the costs range from \$100 per square foot to over \$500 per square foot, and waiting could reduce some of the variability. He questioned what the ramifications were to moving the timeline out, and how it would help manage the cost structure going forward.

Chief Canto stated that the current stations are not sized for the equipment. He commented that Station #4's apparatus bay is so small that certain pieces may not fit. He pointed out that this would mean dealing with those issues for another two years.

Mr. Hetrick commented that there could be some impact on response times; however, he is optimistic that even with challenges of adjusting the timeline the Department will still be out there saving lives.

Chief Canto stated that it would not stop the Department from responding.

Jim Munchiando, George W. Auch Company, stated that prices are not going to decrease. He noted that if successful, the Rochester Community Schools bond proposal of 185 million will affect the area. He mentioned that Oakland County plans to invest \$50 million in their complex. He pointed out that his company was hired in April, and in June presented an estimate of \$10,400,000. He stressed that the City would not realize any real savings by delaying or extending the projects out. He mentioned that the City would need to spend approximately \$100,000 per station for temporary sleeping quarters.

Mr. Hetrick commented that he has clearly heard that the project costs will go up; however, Council is trying to resolve how to stage the projects to be fundable by the City.

Mr. Brown questioned whether it would be possible to stagger the projects and handle the project management internally, eliminating the Construction Manager. He noted that the Construction Manager's fee is \$1.3 million.

Mr. Cope responded that it would depend on the scope of the project. He commented that a General Contractor could be considered for a smaller project. He noted that it is difficult for the City to provide this service, and stated that the Construction Manager has multiple people providing services to include preparing bids, doing estimating, and organizing the project along with having a superintendent on the project. He stated that the dollars would be similar having a paid employee hired as a superintendent versus paying a Construction Management company.

Mr. Brown commented that he is in a business that is strongly dependent on copper, and he has seen prices balance out over time. He stated that he cannot convince himself that the cost of construction will go up 60 to 70 percent in a

three-month period and stay there, and he noted that he is uncomfortable locking in at the high point. He suggested moving forward with the projects that are closer to the estimates and rebidding the others.

Ms. Cummins cautioned that the integrity of the bidding process must be maintained; and the projects must have a material change in scope or specifications of the work to be rebid. She noted that pricing has been exposed with a public bid opening, bidders were required to do a bid bond, and a rebid at this time would create the impression of unfair competition and could generate bid protests. She stated that the project was handled as the City handles all other projects.

Mr. Brown questioned whether the projects were bid as a package, and questioned what would happen if the City elected to do two stations instead of five.

Ms. Cummins responded that each project was bid separately as a lump sump bid, and the City could award more than one station to a bidder. She pointed out that the City cannot award two stations and rebid the rest unless there is a material change in scope for the remaining stations. She stated that best practice is to typically wait six months before rebidding a contract.

Mr. Brown commented that waiting for the appropriate time to rebid, Stations #3, #4 and #5 would be deferred to 2017. He questioned if one station would result in different pricing and if a bidder was guaranteed to get all five stations.

Mr. Munchiando stated that there are many variables as most of the work is renovation. He noted that renovation work goes year-round and there is no more favorable time to bid. He stated that bidders were asked to break the numbers down by station. The City has the option to take each individual bid, and there was no guarantee that a bidder would get all five stations.

Mr. Wiggins questioned when the best time would be to rebid.

Mr. Munchiando responded that renovation is usually undertaken in the fall, and the projects were bid at the best time.

Mr. Hetrick questioned whether asking for a rebid would affect the integrity or reputation of the purchasing project, or whether the bidders could be approached regarding Stations #3 and #5 to see if anything could be done to mitigate the costs.

Mr. Munchiando responded that the option to present voluntary alternatives is always offered.

President Hooper commented that this is not a design-build and the bidders bid the plans that were developed. He questioned whether the response time promised to the voters would be affected if the projects are deferred and trailers are utilized.

Chief Canto responded that personnel will have to come out of the trailers and go into the stations, which will add extra time. He noted that if additional

personnel are not placed at Station #4, another unit will have to be pulled from another area of the city, which will affect response time.

President Hooper commented that the City hired nine additional Firefighter-Paramedic personnel, and will follow through with placing three per ambulance to avoid that very issue. He questioned whether the Department can respond in the manner promised to the voters by placing trailers.

Chief Canto noted staff will have to come out of the trailers and unlock station doors. He noted that Stations #2, #3, #4 and #5 still lack separate men's and women's sleeping facilities.

President Hooper stated that the answer is no. He noted that the City hired nine additional Firefighter-Paramedics to provide the service promised to the residents when the Millage question was placed on the ballot; and now the City is trying to do something different after the fact. He commented that this is wrong. He stated that the City is operating based on a terrible estimate provided by the architect; and if the estimate had been good, Council would have known ahead of time that it would be borrowing more from General Fund. He pointed out that when George W. Auch Company developed their preliminary estimate together before the project went out for bid, their figure was \$10.4 million, representing the true market cost of the projects.

He commented that from what he has heard this evening, he is not convinced that the City will save any money by waiting, deferring or rebidding the projects. He stated that the City has the funds, and Public Safety is the highest priority for its use. He noted that there will not be any multi-million dollar savings by deferring the projects down the road; and he commented that it will cost the city operationally. He stated that it will cost in response time and the Fire Department will not deliver the product it promised the voters. He stated that the City should appropriate the Fund Balance, and spend what the true cost is going to be to get the project done. He pointed out that if other projects continue to come in at higher costs, the project scopes will be reduced, projects deferred, or eliminated altogether. He stated that he fully supports moving forward with all stations. He noted that as a compromise, he would also support undertaking Stations #1, #2, #3 and #5, and looking at utilizing trailers and rebidding Station #4 based on a redesign or reconfiguration at a later date.

Mayor Barnett stated that the Administration understands that Council holds the purse strings and is prepared to do all or nothing based on Council's direction. He commented that it is unfortunate that everyone is coming from a perspective of faulty information, and the baseline number of expectation was probably not realistic. He commented that the City needs these public safety improvements and would submit that it has the money to undertake them. He pointed out that the City's excellent conservative track record of increasing Fund Balance through the worst recession since the 1920s continues each and every year. He stated that he is confident that the City can achieve savings moving forward, and he noted that the City has the enviable position of having the highest Fund Balance position of anyone within a one-hour drive in Wayne, Oakland or Macomb County. He noted that the funds are not earning much interest and the money is set aside. He commented that an unreasonable expectation had been set for an amount that

the project simply cannot, nor probably ever will, be completed for. He noted that Rochester Hills has been named the safest city in Michigan and the City should be spending its money on public safety. He stated that the Administration would support either of the options President Hooper has laid out.

Mr. Wiggins commented that while he appreciates the Mayor's and President Hooper's response and passion for the projects, Council Members are trying to find a compromise. He suggested that \$3 million be taken from roads and the projects undertaken now, and then \$1.5 million extra be placed each year back into the road funds. He commented that prices will be cyclical; however, a mutual compromise should be sought to move forward.

Mr. Kochenderfer stated that Council's job is to evaluate risk with the best information that is available right now. He commented that he would be in favor of proceeding with Fire Stations #1, #2, #3 and #5 now. He noted that he would place Station #4 in a separate category as it is far off from the estimate and there could be things undertaken to change the configuration.

Mr. Hetrick concurred, noting that he would add ensuring that Station #4 gets into the CIP for 2017, allowing the estimates to be created for budgeting and ensuring General Fund dollars are there for the project. He mentioned that while placing a trailer at Station #4 presents a challenge, his feeling is that it will have limited impact on response time. He suggested that Stations #1, #2, #3 and #5 along with the additional contractor fees for Auch be authorized.

Mr. Tisdell noted that \$6.8 million is currently budgeted which would roughly cover Stations #1, #2, #3 and #5's construction contract, and an additional \$4.5 million is roughly needed for Station #4. He offered a motion which included Option #1 of undertaking Stations #1, #2, #3, and #5, and stated that he would wish to include a statement within the motion as to where the additional funding for Station #4 would be dedicated from. He noted that to cover the \$4.5 million projected to be needed for Station #4, it would include a commitment of \$1.5 million from the General Fund due to the positive variance for 2015, \$1.5 million additional from the expected positive variance for 2016, and \$1.5 which was dedicated from General Fund to Local Roads for one year.

Mr. Snyder questioned whether he would consider using \$2 million from the Fire Operating Fund.

Mr. Tisdell responded that using Fire Operating would take that fund down to 20 percent coverage. He pointed out that Local Roads can only be used for Local Roads.

President Hooper requested a clarification of the motion, noting that for the present approval of \$6.8 million, \$2.3 million will be needed from General Fund.

Mr. Tisdell concurred, noting that the additional commitment of the positive variance plus the additional draw-down of Local Roads for one year would encompass the additional \$4.5 million needed.

Mr. Snyder stated that while there would be \$1.5 million less going to Local Streets, Local Streets would then use \$1.5 million of its own Fund Balance to keep the same \$5.25 million road program.

Mr. Tisdell noted that Local Roads would have the same expenditure figure; however, it may not be able to accomplish the same scope.

Mr. Snyder confirmed that it is the dollar amount being discussed, as the number of miles covered with that amount could vary.

Mr. Tisdell noted that there are multiple concerns that the global economy is volatile, and everyone on Council respects the sacrifices that the Administration and past Councils have made in reducing costs and rebuilding General Fund Balance. He commented that Council should make the funding commitments to allow it to proceed with the project.

President Hooper noted that the original budget was \$6.8 million, with \$2.2 from the Facilities Fund, \$2.3 from the Capital Improvement Plan, and \$2.3 from the General Fund.

Mr. Tisdell noted, and **Mr. Snyder** confirmed, that the City would advance another \$3 million from positive variances from General Fund for 2015 and 2016, and advance \$1.5 million it would otherwise transferr to Local Roads. That \$1.5 million for Local Streets would be replaced with a draw-down of its own Fund Balance to fully support the 2016 Road Program. He confirmed that nothing would be coming from the Fire Operating Fund as he noted that the voters passed a millage to build that Fund.

Mr. Kochenderfer requested a clarification that **Mr. Tisdell's** motion did not include a commitment to build Fire Station #4 at this time, noting that if it did not, he would support the motion.

President Hooper confirmed this, noting that the approval would be for Option 1 in the packet.

Mr. Hetrick questioned whether the additional funding breakdown was included as a condition to the motion.

President Hooper noted that it was.

Mr. Brown questioned whether approving Option 1 included approving an additional 7.5 percent fee to the architect, and what additional services were rendered for \$365,000.

Mr. Cope responded that the Administration is currently in negotiations with the Architect regarding their fee, and he could not tell Council this evening what that fee would be. He explained that there were some additional costs incurred for revisions done to date that will be added on to the original \$420,000 Council approved last year. He noted that the end amount is something that is negotiated and it will be based on the costs of the projects the results of this evening.

President Hooper stated that he does not support this, and would want a condition in the motion to include changing the fee structure for the architect. He commented that Council should have a final say on what the Architect's final fee will be.

Mr. Cope confirmed that any fee over \$420,000 negotiated would have to be approved by Council.

Mr. Brown questioned whether Council would be committing to any additional work by the Architect above the \$420,000 at this point.

Mr. Cope responded that there were some revisions that were part of the work that has been done to this point, which he believed were approximately \$77,000, related to changes to Station #2 and the others. He stated that contractually, these changes will be addressed in discussions with the Architect.

President Hooper noted that he did not concur with any increase.

Ms. Morita agreed, noting that the only reason the City would have to pay the Architect additional fees is that they did not do it right the first time. She stated that had the Architect priced the project correctly, they would not have been engaged to change the scope of the plans. She commented that not a single penny more should be paid to the Architect other than what has already been paid.

President Hooper stated that \$420,000 was authorized, and not a dime more will be spent until Council approves.

Mr. Cope confirmed this.

Mr. Brown stated that he would recommend to not authorize any additional funds going to the Architect from this point forward without Council approval. He questioned whether the City is committed to an additional \$77,000.

Mr. Cope responded that while these were additional services that the Architect provided, they have not provided all the services up to \$420,000 yet. He explained that there were some construction management services included in the \$420,000, which have not been provided yet.

Ms. Morita expressed concern committing funds for Fire Station #4 when there has not yet been an agreement to build the station. She stated that she would like to see new plans with a new architect for Station #4 that includes possibly moving the tower and potentially saving some costs on the retention pond, the drainage issues, and the landscaping for the lot next door. She commented that if Station #4 will be deferred, she would rather have it done again by someone else who can give Council a more realistic number.

President Hooper stated that Council would not be committing anything to Station #4 other than trailers.

Mr. Cope responded that the trailers for Station #4 would have to come before Council for approval. He noted that only trailers for Stations #3 and #5 are included.

Ms. Morita noted that Council would be earmarking \$1.5 million in extra funds every year toward Station #4.

President Hooper noted that was correct; however, Council has not approved building anything at Station #4.

President Hooper commented that while the motion sets the funding aside, it does not approve spending the funds.

Mr. Tisdell responded that the objective is to identify and lock up the funds to commit them for the future. Should Station #4 be done, this is where the funding would come from.

Ms. Morita questioned whether announcing the commitment of funds could influence bids.

President Hooper responded that he would presume that would not be the case.

Mr. Tisdell noted that it is already a matter of public record.

President Hooper commented that bids will come in at the market price at the time. He stated that setting money aside is not spending the money.

Ms. Morita stated that while she understands this, she would like Mr. Tisdell and Mr. Kochenderfer to consider amending the motion to include having Station #4 redesigned by another architect and rebid. She pointed out that a redesign with another architect would provide the material change to the scope of the project that Ms. Cummins suggested had to happen to warrant a rebid. She commented that if the redesign could be completed soon, the City might find more favorable pricing. She stated that she would not be willing to support moving forward on Stations #3 and #5 in addition to Stations #1 and #2 without a commitment from Council to send Station #4 out to rebid with a new architect at a future date.

Mr. Tisdell and **Mr. Kochenderfer** confirmed that they would concur with amending their motion.

Mr. Wiggins questioned what the costs will be for a new architectural firm. He expressed concern approving something without knowing the cost.

President Hooper noted that the appropriation would be a decision for a future Council. He stated that the Building Department would have to solicit costs and present those costs to Council for a redesign of the station with appropriation and budget approval made at that time.

Mr. Cope responded that his estimate would be similar to 7.5 percent of \$4.5 million or whatever the cost ends up being.

Greg Mason, representing Architectural firm CHMP, stated that their contract and established budget was clearly based on a competitive bid procurement system using a General Contractor instead of a Construction Manager. He stated that the firm redesigned stations when directed to by the Construction Manager. He commented that he was very upset when the \$10.4 million budget came out, and it has been his premise from day one that if the project were bid using a General Contractor, it would be much cheaper. He noted that his estimate for Station #4 was \$2.89 million; and he pointed out that this makes his estimate off by only eight or nine percent. He commented that while he knows costs have been going up, they have not gone up as high under a General Contractor format. He noted that the City did not want to proceed with a General Contractor as it is more cumbersome for the City. He stated that they do much municipal work through the General Contractor market, and assist with bidding, payment application review, going through shop drawings, doing the procurement, and helping the Purchasing Department doing the procurement. He stated that his numbers are off; however, they are not that far off. He commented that if given an opportunity to bid Station #4 as a General Contractor in a competitive bid format, the City should see a very big difference.

He stated that he has given the City plans for good fire stations which are not exorbitantly designed, are well-designed for good maintenance and good mechanical systems, and are designed for long-standing facilities. He pointed out that the projects were set up for a different procurement manner.

President Hooper questioned who made the decision to go with a Construction Manager rather than a General Contractor.

Mr. Cope explained that the decision was between Purchasing and the Building Department. He noted that a survey was undertaken of a number of communities, and he approached companies in the private sector of the construction industry regarding the best way to go forward. He stated that it was overwhelmingly conveyed to him that Construction Manager was the way to go.

President Hooper questioned whether the having multiple stations at the same time warranted a Construction Manager.

Mr. Cope responded that in discussions with other communities, a Construction Manager format was chosen for almost any type of project.

President Hooper stated that this does not preclude the City from bidding Station #4 out as a General Contractor route instead of Construction Manager route. He commented that there would be more supervision and responsibilities with the General Contractor than the Construction Manager.

Mr. Cope concurred, noting that there is the involvement of Purchasing in doing all the bids, and there is all the work that is involved in following up to ensure that the projects are done the way that they are supposed to be done. He pointed out that the City Hall project, at over \$11 million project, and the DPS Building, at \$14 million, were both done with a Construction Manager. He noted that these projects went smoothly and had good end results.

President Hooper requested the Auch representatives respond regarding construction management of a project.

Mr. Munchiando responded that Auch bids General Contractor work often; and he would guarantee that if the bid were for a General Contractor, he would have proposed more fees. He explained that a project superintendent would be needed, and as General Contractor, he might not be there at all times. He noted that under Construction Management, a superintendent would be on the job at all times. He stressed that he did not see Station #4 as a \$3 million job no matter how it was bid.

President Hooper commented that a General Contractor is less expensive than Construction Manager.

Mr. Munchiando responded that he does not see that. He noted that their firm would man the job the same way as a Construction Manager as it would if it were a General Contractor. He mentioned that their firm has 98 percent repeat business.

President Hooper summarized the motion on the table noting that it would approve Stations #1, #2, #3 and #5, commit funding sources for Station #4, and resolve that Station #4 be redesigned and rebid at a future date.

Mr. Hetrick questioned whether the wording of the motion would preclude CHMP from contributing or participating in the redesign of Station #4.

Mr. Tisdell and **Mr. Kochenderfer** confirmed that it would be open to all participants, and there would be no reason to preclude them.

Mr. Hetrick questioned whether with this motion Council would be authorizing several items on the list that are estimated, such as the hazardous materials surveys, special inspections and station furnishings.

Mr. Cope responded that there are several additional costs that the City will be responsible for that will be brought before Council when those bids are received.

Mr. Snyder stated that the Administration wanted to inform Council of what the grand total cost is expected to be.

Mr. Wiggins questioned why Council did not wish to commit \$2 million from the Fire Operating Fund.

President Hooper responded that it would be to maintain 20 percent Fund Balance for Fire Operating.

Mr. Wiggins commented that he would prefer to take the money from Fire Operating; and noted that should a need arise, additional funds could be put back into Fire Operating. He stated that he would rather not draw the project out for three years when it can be undertaken in two.

President Hooper questioned whether Mr. Tisdell and Mr. Kochenderfer wished to consider amending their motion to commit the Fire Operating Fund.

Mr. Tisdell commented that the Fire Operation Millage was just increased to build funds.

Mr. Snyder responded that it was increased to provide for the additional fire fighters and for long-term future capital replacements for fire apparatus and Fire Capital funds.

Mr. Tisdell stated that there are capital purchases for trucks and equipment coming up in the next three to five years.

President Hooper noted that the Operating Fund is for labor.

Mr. Tisdell stated that he wished to commit the positive variances in the General Fund. He added that the Local Roads fund can only go to local roads; and he noted that these funds could always be supplemented at a later date out of General Fund. He pointed out that the City just hired nine new firefighters and had hopes to eventually hire another three. He stated that he would leave the Fire Operating Fund alone.

Mr. Snyder pointed out that General Fund can contribute to Local Streets or to Fire. He noted that Local Streets has \$6.7 million in Fund Balance and Fire Operating has \$4 million. He commented that Council could opt for either option.

Ms. Morita stated that Council is in agreement that Station #4 will be rebuilt at some point. She questioned why Council wished to dedicate funds at this point, not knowing how much might be needed.

Mr. Tisdell responded that if not all the funds are needed, they will stay in General Fund.

Mr. Brown stated to reserve the total amount would preclude other directors from coming in and asking for the funds. He commented that the goal is to set the funds aside; and if they are not needed, they can be divvied up later.

President Hooper noted that the motion should include wording that the funding is committed "up to" the dollar amounts. He reviewed the motion and called for a roll call vote.

After the vote, President Hooper stated that Council looks forward to four of the stations being built as efficiently and effectively as possible.

A motion was made by Tisdel, seconded by Kochenderfer, that this matter be Adopted by Resolution. The motion carried by the following vote:

Aye 7 - Brown, Hetrick, Hooper, Kochenderfer, Morita, Tisdel and Wiggins

Enactment No: RES0267-2015

Resolved, that the Rochester Hills City Council authorizes an increase to the Blanket Purchase Order to George W. Auch Company, Pontiac, Michigan for Construction Management Services for Fire Station #1, #2, #3, and #5 renovation and construction in the amount of \$5,915,118.00 for a new not-to-exceed amount of \$6,080,143.00.

Further Resolved, that City Council directs the Administration to begin the process of soliciting for an architect to redesign Fire Station #4 and going out to bid at a future date.

Further Resolved, that City Council authorizes the Administration to commit up to an additional \$4.5 million from sources as agreed upon for the Fire Station Renovation Projects.

ANY OTHER BUSINESS

None.

NEXT MEETING DATE

Regular Meeting - Monday, October 12, 2015 - 7:00 p.m.

ADJOURNMENT

There being no further business before Council, President Hooper adjourned the meeting at 9:51 p.m.

*GREG HOOPER, President
Rochester Hills City Council*

*LEANNE L. SCOTT, CMC, Deputy Clerk
City of Rochester Hills*

*MARY JO PACHLA
Administrative Secretary
City Clerk's Office*

Approved as presented at the (insert date, or dates) Regular City Council Meeting.