



Minutes of May 5, 2020

A meeting of the Wausau Water Works Commission was called to order at 1:30 p.m. in City Hall on May 5, 2020. In compliance with Wisconsin Statutes, this meeting was posted and receipted for by the Wausau Daily Herald on April 29, 2020.

Members present: President Rosenberg, Commissioners Force, Miller, Herbst, Gehin.

Others present: Eric Lindman, Dave Erickson, Scott Boers, Valerie Swanborg, Steve Opatik/Becher Hoppe, Mike Gerbitz/Donohue, Dave Voss/Miron Construction, Mike Krolczyk/C.D. Smith, Bob Van Ert/Van Ert Electric Company.

1) Approve Minutes of April 23, 2020 Meeting.

Force advised he had questions and they can be tabled until the next meeting so we can get to the agenda. We had tabled the issue of the mandatory private lead service lateral replacement ordinance for a future meeting, will that be at our next meeting? Lindman confirmed we will and we'll have examples from other communities.

Force asked for an update on the barrier around Reservoir Park. Boers advised he had just gotten word from the Parks Dept. that they will be planting Junipers around the area of the pipe.

Force proposed that he, Boers and Miller work together on the Water Conservation Education Program unless there is something else in the works. Boers responded that would be fine. Force added that if there was no objection he would volunteer to do that along with anyone else that would like to join them. Force asked for clarification on the date of the next meeting. Rosenberg responded the next Water Commission meeting is June 2nd. Force thought maybe they could find time to get together before that.

Lindman advised there was a clarification on page 10 of the minutes under Dave Voss' comments, "Miron does 98% of all that type of work in the state" should say "Miron and CD Smith do 98% of that type of work in the state".

Gehin moved to approve the minutes of the April 23, 2020 meeting. Seconded by Herbst and the motion carried 5-0.

2) Director's Report on Utility Operations.

Gehin asked Erickson if he knows the percentage of sludge they have out. Erickson responded approximately 80% of it. They're hoping to finish within the next couple of days.

Gehin asked whether the DNR has responded any further regarding the foaming and if it originated from Wausau Chemical's new or old facility. Erickson advised it originated from the

old facility. He did send a report and talked with them but he hasn't heard anything since then and will follow up.

Director's Report placed on file.

3) Discussion Related to the Residential and Commercial Percentage of Usage Versus Revenue.

Lindman advised that Ehler's was with us via phone if anyone had any questions. Brian Roemer/Ehler's did put together a memo that was included in the packet. It shows how our rate structure compares with others, rates for residential users vs commercial usage and revenue by residential vs commercial. If anyone wants to relook at the rate structure we could do that at the next proposed rate study. Force asked when that would be. Lindman advised we'd begin that in 2021. Roemer advised that he hopes he's provided the framework as to where the utility has been in terms of water rates, water structure and an understanding of how the PSC looks at it and that we are governed by the PSC. He added that it is advisable that anytime there is a conventional rate case, to propose your own cost of service study. With the timeline for the safe drinking water loan, this would have added more time for them and the PSC and was not doable at this time for what the PSC had already done. He would advise we look at doing that next time. Gehin asked for the A and B sized utilities, what percentage get what they want vs accepting what the PSC has given them. Roemer explained that in terms of preparing your own cost of service and having the PSC review it, it's more common in the larger utilities such as the Milwaukee area or typically 20,000 plus customers. The main reasons they have prepared a cost of service study for smaller communities have been if you don't feel the rates are following suit and the multi-family class was recently introduced in 2014 so the rates have been skewed.

4) Discussion on the PSC Public Hearing.

Lindman advised that we have completed the public hearing with the PSC. There was one public comment posted and the public comment period ended May 4th. The PSC will be moving forward with finalizing the rate structure but doesn't have a timeline at this point. Roemer added that typically it takes 7-14 days however, the PSC has been sensitive to the timing in regards to the safe drinking water fund loan so they've advanced their processes so it's ready to go. He's hoping it will be ready within the next week or so.

5) Discussion and Possible Action on Award of the WWTF Construction Contract.

Lindman advised he had sent out a memo this morning from Donohue. Gerbitz went through the May 4th bid evaluation memo. On the top of the first page is a summary of the bids that were received from Miron and C.D. Smith. The base bid does not include a very important element of the project and that is effluent filtration. A component of this project is to position the city to comply with an impending phosphorous TMDL. This future permit and requirement will require the city to discharge less phosphorous than it has historically. Possibly .2 mg/L-.3 mg/L depending on what the flows are through the facility. The base bid doesn't include filtration as they wanted to competitively bid different manufacturers against one another which is what alternatives 8, 9, 10 & 11 are on the bid summary. There are two different filter manufacturers, one by Kruger and one by Aqua Aerobics. 2 of the alternates are

for 3 filter units and 2 of the alternatives are for 4 filter units. Not knowing where bids were going to end up they thought that was a prudent approach. They spent a lot of time talking to staff and they had a preference for the filtering action of the Aqua units as it filters from the outside to the inside, that's attractive to them and they understand that. They always try to take the preferences of plant staff into account and wherever possible to fully comply with those preferences. In this instance, there is a compelling cost difference, a track record difference between the two and some performance differences between them as well. This is a rare instance where staff has a preference for Aqua but given the track record, performance and compelling cost difference, Donohue has to recommend the Kruger alternative as they will be ultimately responsible to protect the financial well-being and for the outcomes of this facility. Their recommendation is to go with alternative 8 which is 3 Kruger filter units. From a hydraulic loading standpoint that alternative is the same as alternative 11. This levels the playing field and the capital cost difference is approximately \$443,000.00 between them. The city does need to select one of the alternatives and Donohue would recommend they select alternative 8. Table II looks at the base bid plus alternative 8 for Miron and C.D. Smith. Miron is the apparent low bidder for that scenario. They refer to that throughout the rest of the memo as the essential project. This is the project exactly as it was outlined in the facility plan. Donohue thinks there is another alternative that the city should give serious consideration to and that is alternate 6. One of the most important performance parameters for an activated sludge system for the liquid train, the secondary clarifier surface area. This alternative would add a fourth secondary clarifier and increase the surface area by 45%. That would give the facility tremendous operating flexibility and additional capacity. The cost for that alternative was \$1.6 million for Miron which is quite a bit lower than our estimate and quite a bit less than if the facility were to construct that at a later date, possibly double that cost. The recommended project is the base project plus alternate 8 which is 3 Kruger filters and alternate 6 which is the additional secondary clarifier. The low bidder for this recommended project with the 2 different alternatives came from Miron in the amount of \$77,732,000.00. Donohue started collaborating with Miron and looking for ways of reducing the project cost. Table 4 in the memo summarizes what the construction budget is starting with the \$80 million that we've been talking about for a couple years, subtract off other project related costs and we arrive at the construction budget of \$71,720,309.00. The projects and bids that we've been looking at exceed that budget so we've been looking at some value engineering alternatives and ways to reduce the project cost without affecting the integrity of the project. They looked at approximately 230 different line items where they could possibly reduce the project cost. The product of that effort could produce a potential savings of \$1,557,247 as shown in table 5. This savings would be realized by change order. Value engineering is a healthy and common exercise. Another thing that is standard operating procedure is looking at type II operating equipment which is equipment that the city chooses to purchase based on preference and price. They've gone through the type II equipment with the city and the things they were able to change without affecting the integrity of the facility would produce approximately \$485,200.00 in savings. Table 5 is the essential project and reflects the base bid plus alternate 8 and subtracting the savings by change order for type II equipment and value engineering to arrive at a total of \$74,053,553.00. This is in the vicinity of 3% of the original construction budget.

Table 6 is the recommended project plus alternate 6 & 8 and subtracting the savings by change order for a total of \$75,689,553.00. The last page of the memo is figure 2 that reflects the quarterly bill for a typical residential customer for the recommended project or the essential project. Using the clean water fund, the recommended project would result in a quarterly bill of about \$88.00, the essential project would be a little over \$87.00 and the estimated quarterly bill that has been talked about with the public has been \$88.50 per quarter.

Force asked Erickson if their preference for the Aqua Aerobics filter was based on literature that they reviewed or witnessing the filters. Erickson advised they did have several field trips. Staff spoke with the operators and had a preference for the equipment but did not have a chance to evaluate cost or anything like that. Force asked if they looked at Kruger and Aqua Aerobics. Erickson confirmed they had. Gerbitz advised there is a fundamental difference between the 2 brands. Donohue did do the life cycle cost analysis for each filter and the savings for Kruger is about \$1.3 million over 20 years. The warranty and O & M procedures are similar for both.

Gehin is aware that Kruger has approximately 12 functioning units in the state and Aqua does not have any, not for phosphorous removal. The oldest one that has been in service has been in Oconomowoc and to date, staff has not changed out the media. From his understanding it's a 4 or 5 year cycle for the media to be changed with Aqua. Gerbitz advised that their recommendation might be different if the TSS limit wasn't so low and the cost differences weren't so compelling.

Force brought up the public comment from the public hearing about bonds and what we're doing for financing. He's not interested in visiting the finance aspects of this project but asked what financing through bonds may look like as opposed to how we are doing it.

Lindman advised that Donohue has looked at this too. The interest rates are definitely higher for bonds. Roemer advised that the clean water fund and safe drinking water fund programs are really good programs when you qualify for them mainly due to the interest rate that you're allowed. Right now for the safe drinking water fund we're looking at an interest rate of about 1.8% and for the clean water it will depend on when we close on the loan but for a 30 year loan right now it would be about 1.9%. If you were to do that out in the public market with current market conditions we'd be looking at an interest rate of around 3%. He would disagree with Mr. Del Conte that submitted the public comment for the public hearing.

Gehin asked about closing costs, etc. for bonds versus the state loans. Roemer stated that typically those costs are cheaper through the state loans but he won't say it always is. However the interest savings reduces the overall debt coverage.

Force stated rates would go up in either case. Ehlers confirmed that is correct. Force advised that he brings this up because we open up public comment periods but don't get much response or in many cases no response. He just wanted to make sure that Mr. Del Conte's comments were fully considered.

Rosenberg stated that we will give C.D. Smith the chance to make some comments as they did not have the opportunity to speak at the last meeting.

Mike Krolczyk, C.D. Smith:

The wastewater project was bid and is over budget. The engineer said a number of times that he was surprised by that. A week before the project was bid, they contacted the engineer because they were concerned about the number of electrical bidders. They knew there was only one electrical bidder bidding the project. The other firm needed more time so they requested a week so the other firm could bid the project and that request was denied. The other electrical contractor called the engineer as well and that was denied. The project was then bid and the electrical value of that represents 22% of the project or \$16.7 million dollars. The water treatment facility came in within budget and there were 4 electrical bidders on that project. The morning of the bid, they contacted the only electrical contractor and asked what their number was going to be, approximately. They responded about \$10 million and the final bid came in at \$16.7 million. Prior to the last meeting on April 23rd, they brought up these concerns with the engineer and they said that would be brought up at the meeting, it was never brought up. They have since contacted 4 electrical bidders that if the project were to be rebid, they would bid. He understands they can value engineer the project and that happens a lot in the private sector but it doesn't happen a lot in the public sector. Not a project of this size and scope, he believes this is one of the largest projects for the City of Wausau ever. They wouldn't be here if the electrical issue didn't come up. He's confident with the pandemic that if this project were to be rebid that we would get better numbers because of the electrical people that are interested and contractors are hungry. They are requesting that the city rebid the project, do the ethical thing and the legal thing. The city could save money and there is time to do it.

Force stated that it is his understanding that we are on a timeline to receive the state revolving loan funds and there is a deadline associated with that. He believes it was brought up at the last meeting that rebidding the project would possibly disqualify us for meeting this deadline, is that correct?

Lindman responded that he thinks if we wanted to rebid the project we could but would be right up against the deadline when those bids would be opened. Just to put some perspective into the bid, initially it was out for 6 weeks. Upon request, with the electrical contractors and other bidders, we extended it 2 weeks to accommodate bidders. He knows that Donohue was in contact with the other electrical contractor but they could not guarantee, even if they were given additional time, they would get their bid in.

Gerbitz stated that he doesn't want to portray that it was simply denied, taken lightly or not taken seriously. They were talking to both general contractors and were very worried about the single electrical subcontractor. He was talking to the subcontractor on Monday. He asked if they would grant an extension and they would know where they were at with their bid on Friday. They issued an addendum on Wednesday in which there was no bid extension and agreed they would talk on Friday to make their final decision. With that addendum on Wednesday without an extension in it and never an intention of putting an extension in it, that electrical bidder said he was out. He decided and he withdrew. At that point, they had a decision to make. We're already 8 weeks into this and have a funding deadline fast approaching. There is no guarantee if we extended this 1 or 2 weeks that the small electrical contractor with the staff that he has would be able to complete a bid. The decision was to

make the electrical cost shown so we all know what that cost is and make good decisions with the information that we have after the bid opening. It wasn't a situation that was not taken seriously or that they denied it, quite frankly it was that other electrical contractor that decided he was out.

Dave Voss/Miron Construction:

He just wants to talk about facts today. Mike/C.D. Smith stated that the project would come in under what it is now, he's not sure that is a fact. That is what he would like to have. They got a letter today from August Winter, who is their major mechanical sub-contractor with this job, Ferguson who is their supplier say materials will be going up 3-5% within the next 2 weeks. 3% would be \$155,000.00 and 5% would be \$259,000.00 that the job would go up just on the Ferguson contract. They also got a letter from their metal building supplier that the base price of steel will go up \$50.00/ton as of May 1st. Unfortunately, he did not talk to Van Ert Electric the morning of the bid. He did not know where his bid was going to come in but does know that Van Ert is a very good electrical contractor and knows he spent 6-7 weeks working on this project to come up with a bid. This is a very complicated electrical installation and probably one of the toughest. Nobody is going to bid this job in 2-4 weeks. His final comment is that if anyone on the commission thinks that the number for the electrical bid is not worthy, they have the right to award the project and they can go out and secure another electrical contractor if they so desire. They don't like to do that, they've used Van Ert's bid all the way through and are comfortable with it. They've broke that bid down numerous ways for Donohue to show all the intricacies and he personally thinks the engineer was a little short on the electrical budget and that happens.

Bob Van Ert/Van Ert Electric:

They've been in business since 1964 and employ 83 people in Marathon County and about 160 people in the Northcentral Wisconsin area. They've grown to a business of 561 employees and they didn't do that by taking advantage of a place they live and work in. They've been in the Wausau area for 50 years, their corporate office is here and the last thing he would want to do is take advantage of the City of Wausau. They've done many projects in this city such as the Dudley Tower, Gander Mountain, Lodge at Cedar Creek, Jefferson Street Inn and many smaller water and wastewater projects in the city. Many of the street projects they've done the underground for. They don't just throw a dart at a dart board to figure out what it takes to do a \$16.7 million dollar project. They count every piece of equipment, wire, conduit etc. There is 185,000 feet of surface mounted conduit and 1.2 million feet of wire going into this project. All of this goes to components whether it be lighting, motors, instruments, etc. This is a complicated project which runs almost 3 years and need to keep the existing plant running while the new one is being built. This is not an easy project. They will dedicate a project manager full time to this project along with 2 full time superintendents. They've asked many questions of Donohue throughout the bid process and many of the addendums were a result of them digging into the plans and specs for items that may be missing or needed clarification. They gave a complete breakdown to Donohue of all the major costs. They've done a lot of work for both Miron and C.D. Smith. Right now they are doing a \$10 million dollar project

with C.D. Smith. He heard insinuations that they may not have gotten the same price as Miron and that's completely bull. They got the same price at the same time and if anyone wants to see the emails he's got them. This is an important project for Van Ert, it will give them 3 years' worth of work for people right in town.

Mike/C.D. Smith:

He wants to mention again that he was told the project would be \$10 million dollars and it went to \$16.7 million dollars. Also, the electrical bidders had asked for 3 weeks. He handed out documentation.

Miller advised he didn't have access to the documentation handed out, if there is anything that could be part of the discussion that would be great.

Force asked if someone could read the memo to Miller.

Rosenberg read an email from Faith Technologies showing interest in rebidding, along with others from Total Electric and Erin Electric that they would rebid the project.

Gehin advised that he thinks we'd be taking a lot of risk in rebidding. He had heard before Miron even mentioned it that steel prices will be going up. He would prefer to award today.

Lindman explained that this would be awarded at the original bid and then there would be a change order for the deductions down to \$75,689,553.00.

Force asked about the discussion we had about the draft from Clark Dietz about an evaluation of operating procedures. He's assuming we are still going to look at that. Lindman advised that is correct.

Rosenberg clarified the motion: Accept the base bid for Miron in Table 3 with the intention it becomes the number from Table 6.

Motion by Gehin to accept Miron's base bid of \$77,732,000.00 with the expectation for it to become \$75,689,553.00. Seconded by Force. Motion carried 5-0.

6) Discussion on the DWTF Project Schedule for SDWL Funding.

Lindman explained that the commission awarded the drinking water facility project at the last meeting. With the new council on and to provide some clarification he had put together some additional information for any council members that were interested in the project. This is on a tighter timeline than the wastewater project. The expectation is that the notice of award for this would be provided this week. A lot of information had come out on the drinking water facility with bid review memos, alternates, needs for the project, compliance and relocation of that project. He tried to outline that in a one and a half page memorandum.

No motion necessary.

7) Adjourn.

There being no further business to discuss, motion was made by Force to adjourn the meeting. Seconded by Herbst. Motion carried 5-0.

Michelle Weasler, Recording Secretary

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