CITY OF SAINT PETER, MINNESOTA
AGENDA AND NOTICE OF MEETING

Special City Council Meeting – Thursday, November 9, 2017
River’s Edge Hospital and Clinic Helen White Conference Room– 6:30 p.m.*
1900 North Sunrise Drive
*Time is approximate

I. CALL TO ORDER

II. NEW BUSINESS
   A. Scope/Design Approval
   B. Guaranteed Maximum Price
   C. Solicitation of Best Value Contracting Bids Authorization

III. ADJOURNMENT

Office of the City Administrator
Todd Prafke
TO: Honorable Mayor Zieman
    Members of the City Council
FROM: Todd Prafke
    City Administrator
RE: 2018 Hospital Expansion Project

DATE: 11/7/2017

ACTION/RECOMMENDATION

Accept the Hospital Commission recommendation regarding the scope and design of the Hospital expansion; accept the guaranteed maximum price as provided by the Construction Manager; and authorize solicitation of bids for the project in two-phases utilizing a "best value contracting" process.

BACKGROUND

Section 2-626 of the City Code outlines the Hospital Commission powers. The last line of the Section states:

"Nothing in this section shall be construed to vest any power in the Commission to construct any additional hospitals, medical clinics, or nursing homes or additions to hospitals, medical clinics, or nursing homes, or appurtenant structures; such powers to be in the Council."

As such, it is the City Council's responsibility to formally take action related to the proposed expansion of the Hospital. Following the Joint City Council/Hospital Commission Committee of the Whole meeting and the special Hospital Commission meeting, the City Council will meet in a special meeting on November 9th to consider the attached draft resolution that provides for the following three actions:

1. Approval of the scope and plan for the 2018 River's Edge Hospital and Clinic Expansion Project, to include remodel and construction of additional square footage.

2. Acceptance of the Guaranteed Maximum Construction price provided by the Construction Manager McGough, in the amount of $24,495,613.

3. Authorization for solicitation of best value contracting bids for the 2018 River's Edge Hospital and Clinic Expansion Project to be completed in two phases.

While some informational material is attached to this packet, additional materials, including the final recommendation from the Hospital Commission, may also be distributed on Thursday.
FISCAL IMPACT:

There is no direct fiscal impact to the City for these actions. The fiscal impact would be to the Hospital Funds as outlined in the proposed budget.

ALTERNATIVES/VARIATIONS:
Do Not Act: Failure to take any of the actions at this time is not critical to the project; however, the timeline would need to be adjusted should the Council not take action at this time.
Denial: Staff would take no additional action without further direction by the City Council.
Modification of the Resolution: This is always an option of the City Council.

Please feel free to contact me if you have any questions or concerns about this agenda item.

TP/bal
## River's Edge Hosp & Clinic

### St. Peter, MN

<table>
<thead>
<tr>
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<td>TOTAL</td>
<td>33,800,000</td>
<td>33,800,000</td>
<td>1,100,866</td>
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### Notes:
- Excludes Financing and Inflation 0%
- % Design+Bid+Const Cont - 8.11% 5.40%
- % Total Project Contingency - 6.05% 4.13%
- New S.F. - 38,258 38,258 9,569
- Renovation S.F. - 39,458 39,458 3,801
- Gross Squar Footage - 77,716 77,716 13,370
- Bldg $ / GSF - 305.68 315.19 21%
- Proj $ / GSF - 434.92 434.92
- Bid Date - 2/13/18 3/2/18
- Duration (Months) - 28.0 26.0
Existing Conditions
Site Plan

Live Well
Pharm.
Admin
Lab
HIM
Radiology
Phleb
EVS
Mech
Plant Ops
Emergency

Mayo Clinic
Clinic
Educ.
Spec Clinic
Vacant
Offices
Admitting
PT
Cardiopulmonary Rehab
Medical/Surgical

River's Edge Hospital & Clinic
St. Peter, Minnesota
Nov. 2017

JJCA
American Health Facilities Development

AHFD
Addition / Renovation

Pre-Admit Testing
Materials/EVS
Mechanical
Emergency
Admitting
Kitchen/Dining
Main Entrance Canopy
Pharmacy
New Public Corridors
Central Sterile
Nursing Unit
Inpatient PT
Surgery
PACU
Same Day Surgery
PT
Existing Public Corridors
Clinic/MOB Space
Mech/Support
Medical Records
Conference
Administration
Lab
Lab Renovation
Radiology

River's Edge Hospital & Clinic
St. Peter, Minnesota
Nov. 2017

AHFD
AMERICAN HEALTH FACILITIES DEVELOPMENT

JJCA
Johnson Johnson Custom Architecture

New
First Floor Plan
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<th>Dur</th>
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McGough Construction prepared and presented their proposed Early Guaranteed Maximum Price (EGMP), which is based on their detailed construction estimate for the Design Development (D/D) phase plans and specifications, to the project delivery team on Nov 1. Following a thorough review and evaluation of the base project estimate and proposed alternates list, the EGMP was set at $24,495,613. McGough's proposed EGMP will be presented for Owner approval on Nov 9. The EGMP is within the planned construction cost of the $33,800,000 approved budget.

The architects prepared and presented computer generated models and elevations of their proposed exterior building design to the hospital board on Oct 25 and to the City on Oct 30. The City is reviewing the current design documents and approval is expected later this month.

The project is currently on schedule and in budget. A copy of the current working budget is attached.
Date: November 1, 2017

To: George Rohrich, River’s Edge Hospital & Clinic

Project: River’s Edge Hospital & Clinic Renovations and Addition

In accordance with the terms and conditions of the agreement with River’s Edge Hospital & Clinic, dated June 12, 2017, McGough Construction offers and agrees that the Early Guaranteed Maximum Price (EGMP) for construction the Renovations and Additions to River’s Edge Hospital as described by the Design Development documents prepared by JJCA, dated Sep. 29, 2017, and in the attached Assumptions and Clarifications by McGough Construction, dated Nov. 1, 2017, shall be established at twenty-four million, four hundred and ninety-five thousand, six hundred and thirteen dollars ($24,495,613). McGough Construction confirms that this offer shall not be withdrawn and remain valid for acceptance by REH&C until Apr 1, 2018. Upon acceptance by River’s Edge Hospital & Clinic, this EGMP shall be incorporated into paragraph 5.2.1 of the contract by amendment.

McGough Construction, LLC
Jeff Dzurik, Vice President
# River's Edge Hospital & Clinic - Renovations & Additions

**Early Guaranteed Maximum Price (EGMP)**

**Summary**

11/1/2017

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<tr>
<th>Item</th>
<th>Description</th>
<th>Project Totals</th>
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*This Early Guaranteed Maximum Price (EGMP) estimate includes tax exempt materials. At the time of the final Guaranteed Maximum Price (GMP) the tax exempt materials will be separated and will not be included in the GMP in accordance with Minnesota Department of Revenue requirements.*
River’s Edge Hospital Renovations & Additions
Early Guaranteed Maximum Price

Assumptions and Clarifications
November 1, 2017

Assumptions and Clarifications

General
A. Pricing prepared by McGough Construction Company is based on the Design Development plans prepared by Johnson Johnson Crabtree Architects, dated September 29, 2017
B. We assume a construction start date of Spring 2018
C. We have not included costs for any hazardous materials handling or removals
D. Builders Risk insurance is included
E. Building Permit Allowance is included at $268,593
F. Excludes Fee on Payment & Performance Bond and General Liability
G. A $15,000 allowance for material testing has been included
H. SAC/WAC units or other city impact fees are not included and will be paid directly by the Owner
I. This estimate includes construction contingency of 3%
J. Design contingency by Owner
K. This estimate includes a construction fee of 2.75%
L. Special Inspections are by Owner
M. Excludes architect and engineering fees
N. $60,000 Preconstruction Fee is not included in this estimate.
O. Excludes any public utility charges
P. Temporary entrance for Emergency Dept. is included.

Site Improvements
A. Site Clearing/Demo as indicated on plans
B. Assumes Existing Site Utilities are readily available and sized to handle the expansion
C. Silt fence and rock construction entrance to meet SWPPP requirements is included as needed
D. 15,000 CY of imported fill is included. Material is free for the 1st 12,000 CY and $5.00/CY for the remaining per St. Peter Utility
E. This estimate does not include any provisions for dealing with contaminated soil, buried debris, underground storage tanks, utilities not identified or any other unforeseen conditions
F. Assumes “standard” site asphalt & concrete, no pervious paving is included in this estimate
G. Landscaping & Irrigation Allowance of $125,000 is included
H. Dewatering of the site is not included
I. Soil Corrections or Deep Foundations are excluded

Substructure and Structure
A. Moisture Mitigation is not included
B. Underpinning is not included
C. Concrete slab on metal deck at mechanical area only
D. Upgrading existing structure to handle new expansion is not included
E. Fireproofing is not included

Exterior & Roof Components
A. Cleaning or repair of existing masonry / stone restoration at existing exterior façade is not included
B. Ballasted EPDM roof at new addition
C. Roofing at the Courtyard In-fill shall be ballasted to match existing roof

Interior Construction & Equipment
A. Bathrooms Walls to be Epoxy Painted – No Tile Wainscot is included
River's Edge Hospital Renovations & Additions
Early Guaranteed Maximum Price

Assumptions and Clarifications
November 1, 2017

B. High Lobby Ceiling is Metal Panel — See Alternate
C. Window Treatments at New Patient Room Windows only
D. Chalkboards, Corkboards, Projection Screens are not Included.
E. Markerboards at Patients Rooms Only
F. Interior Signage is not included
G. FFE and Owner Equipment — By Owner
H. Labor to Install Misc. Owner provided equipment is included
I. Installation Kitchen Equipment is not included, Coordination is included

**Mechanical**
A. Assumes that existing valves and dampers for isolation are in working condition
B. Plumbing and Med Gases
C. HVAC duct and piping. Existing boilers and pumps replaced.
D. Pipe and duct insulation
E. Air & water balance
F. Temperature Controls — Connect to existing Andover System
G. Mechanical Demolition

**Fire Protection**
A. Modifications to existing fire sprinkler system
B. New piping and sprinklers for new addition and infill area
C. Pipe to be schedule 40 for piping smaller than 2" and grooved piping for 2" & larger
D. Dry sprinklers in freezer/cooler
E. Institutional sprinklers in rooms where patient tampering can occur
F. Concealed sprinklers located in center of tile
G. Assumes in Renovation areas that sprinkler head are left in place and not turned upright

**Electrical**
A. Electrical Demolition
B. Lighting & Controls
C. Relocate transformer in project cost, 2500 Amp Service
D. Temporary Generator for Changeovers.
E. Branch Power
F. Switchgear
G. Feeders
H. Generator/EM Power
I. Fire Alarm
J. Rough in only for Nurse Cali, AV, Security, Voice Data, CATV, Access Control & Low Voltage
K. Temporary Power & Wiring/Phasing
L. Lighting Protection is excluded
M. Existing fire alarm system will be extended to the new addition

**Allowances**
A. The following allowances are included in the estimate:
   a. Landscape & Irrigation $100,000
   b. Murphy Bed Allowance $3,500
   c. Decorative Glazing $10,000
# River's Edge Hospital & Clinic

**Project Projected Cash Flow**

Estimated as of 8/2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Projected Cash</strong></td>
<td>$ 9,981,000</td>
<td>$ 11,880,000</td>
<td>$ 8,580,956</td>
<td>$ 10,823,144</td>
<td></td>
</tr>
<tr>
<td><strong>Excess Revenue over Expenses</strong></td>
<td>1,957,000</td>
<td>1,724,000</td>
<td>2,149,000</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustments to reconcile Cash:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating: Add back Depreciation and Amortization</td>
<td>1,600,000</td>
<td>1,766,250</td>
<td>2,154,200</td>
<td>2,542,150</td>
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<tr>
<td>Cost Report Impact of Project Depreciation</td>
<td>0</td>
<td>59,850</td>
<td>199,512</td>
<td>339,174</td>
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<td>Cost Report Impact of Interest on new debt</td>
<td>0</td>
<td>387,856</td>
<td>380,477</td>
<td>372,820</td>
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<tr>
<td>Investing: Purchase of Equipment</td>
<td>(450,000)</td>
<td>(400,000)</td>
<td>(400,000)</td>
<td>(400,000)</td>
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<tr>
<td>Project Costs</td>
<td>(550,000)</td>
<td>(9,975,000)</td>
<td>(13,300,000)</td>
<td>(9,975,000)</td>
<td>(33,800,000)</td>
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<tr>
<td>Financing: Payment of Long-term Debt</td>
<td>(525,000)</td>
<td>(525,000)</td>
<td>(525,000)</td>
<td>(525,000)</td>
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</tr>
<tr>
<td>Payment on Equipment Certificates</td>
<td>(133,000)</td>
<td>(133,000)</td>
<td>(133,000)</td>
<td>(133,000)</td>
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<tr>
<td>Debt Service @ 3.7%</td>
<td></td>
<td>(1,583,000)</td>
<td>(1,583,000)</td>
<td>(1,583,000)</td>
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<tr>
<td>Loan Proceeds</td>
<td>5,379,000</td>
<td>13,300,000</td>
<td>9,975,000</td>
<td>28,654,000</td>
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<tr>
<td><strong>Net Cash Inflow/(Outflow)</strong></td>
<td>1,899,000</td>
<td>(3,299,044)</td>
<td>2,242,189</td>
<td>3,113,144</td>
<td>(5,146,000)</td>
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<tr>
<td><strong>Ending Projected Cash</strong></td>
<td>$ 11,880,000</td>
<td>$ 8,580,956</td>
<td>$ 10,823,144</td>
<td>$ 13,936,288</td>
<td>$ (5,146,000)</td>
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</table>

**Year 1 Impact - $9,975,000 placed in service @ 30 years SL, half-year convention** $ 166,250  
**Year 2 Impact - $9,975,000/30 years * 1 year** $ 332,500  
$13,300,000/30 years SL, half-year convention $ 221,700  
**Year 3 Impact - $9,975,000/30 years * 1 year** $ 332,500  
$13,300,000/30 years SL, *1 year $ 443,400  
$9,975,000 placed in service @ 30 years SL, half-year convention $ 166,250  

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River's Edge Hospital & Clinic  
Project Projected Cash Flow  
Estimate as of 11/9/2017

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Beginning Projected Cash</td>
<td>$ 9,981,000.00</td>
<td>$ 11,147,466.00</td>
<td>$ 9,751,788.00</td>
<td>$ 13,145,588.00</td>
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<tr>
<td>Excess Revenue over Expenses</td>
<td>1,406,000.00</td>
<td>1,600,000.00</td>
<td>1,816,000.00</td>
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<td>Adjustments to reconcile Cash:</td>
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<tr>
<td>Operating: Proceeds from Operations</td>
<td>2,669,000.00</td>
<td>2,561,788.00</td>
<td>3,853,800.00</td>
<td>4,206,600.00</td>
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<tr>
<td>Investing: Purchase of Equipment</td>
<td>(450,000.00)</td>
<td>(400,000.00)</td>
<td>(400,000.00)</td>
<td>(400,000.00)</td>
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<tr>
<td>Project Costs</td>
<td>(1,800,534.00)</td>
<td>(14,066,466.00)</td>
<td>(15,589,132.00)</td>
<td>(2,343,868.00)</td>
<td>(33,800,000.00)</td>
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<tr>
<td>Financing: Payment of Long-term Debt</td>
<td>(525,000.00)</td>
<td>(1,243,000.00)</td>
<td>(1,743,000.00)</td>
<td>(1,781,000.00)</td>
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<tr>
<td>Payment on Equipment Certificates</td>
<td>(133,000.00)</td>
<td>(133,000.00)</td>
<td>(133,000.00)</td>
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<tr>
<td>Financing Costs</td>
<td>(436,000.00)</td>
<td>(536,000.00)</td>
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<td>Loan Proceeds</td>
<td>-</td>
<td>10,721,000.00</td>
<td>15,589,132.00</td>
<td>2,343,868.00</td>
<td>28,654,000.00</td>
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<tr>
<td>Net Cash Inflow/(Outflow)</td>
<td>1,166,466.00</td>
<td>(1,395,678.00)</td>
<td>3,393,800.00</td>
<td>3,740,600.00</td>
<td>(5,146,000.00)</td>
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<tr>
<td>Ending Projected Cash</td>
<td>$ 11,147,466.00</td>
<td>$ 9,751,788.00</td>
<td>$ 13,145,588.00</td>
<td>$ 16,886,188.00</td>
<td>(5,146,000.00)</td>
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</tbody>
</table>
## Debt Capacity Analysis - Results at 3.70%

### 3.70% Interest Rate and 30 Year Amortization

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Costs (excluding financing costs)</td>
<td>$19,810,000</td>
<td>$33,030,000</td>
<td>$27,245,000</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>$20,679,000</td>
<td>$34,995,000</td>
<td>$28,654,000</td>
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<tr>
<td>Operating Revenues</td>
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<tr>
<td>Net patient service revenue</td>
<td>$34,015,000</td>
<td>$34,458,000</td>
<td>$34,259,000</td>
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<tr>
<td>Other revenue</td>
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<tr>
<td>Total operating revenues</td>
<td>$34,050,000</td>
<td>$34,493,000</td>
<td>$34,294,000</td>
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<tr>
<td>Operating Expenses</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>All other</td>
<td>$30,059,000</td>
<td>$30,059,000</td>
<td>$30,059,000</td>
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<tr>
<td>Depreciation and amortization</td>
<td>$2,427,000</td>
<td>$3,101,000</td>
<td>$2,795,000</td>
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<tr>
<td>Total operating expenses</td>
<td>$32,486,000</td>
<td>$33,160,000</td>
<td>$32,854,000</td>
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<tr>
<td>Operating Income (Loss)</td>
<td>$1,564,000</td>
<td>$1,333,000</td>
<td>$1,440,000</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>$(1,201,000)</td>
<td>$(1,726,000)</td>
<td>$(1,493,000)</td>
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<tr>
<td>All other</td>
<td>$46,000</td>
<td>$46,000</td>
<td>$46,000</td>
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<tr>
<td>Nonoperating revenues, net</td>
<td>$(1,155,000)</td>
<td>$(1,680,000)</td>
<td>$(1,447,000)</td>
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<tr>
<td>Revenues in Excess of (Less Than) Expenses</td>
<td>$409,000</td>
<td>$(347,000)</td>
<td>$(7,000)</td>
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<tr>
<td>EBIDA</td>
<td>$4,037,000</td>
<td>$4,480,000</td>
<td>$4,281,000</td>
</tr>
<tr>
<td>Debt Service as a % of NPR</td>
<td>6.6%</td>
<td>8.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Principal &amp; Interest</td>
<td>$2,241,000</td>
<td>$3,032,000</td>
<td>$2,682,000</td>
</tr>
</tbody>
</table>
Debt Capacity Analysis - Results at 3.70%

<table>
<thead>
<tr>
<th>3.70% Interest Rate and 30 Year Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Costs (excluding financing costs)</td>
</tr>
<tr>
<td>$ 19,810,000</td>
</tr>
<tr>
<td>Loan Amount</td>
</tr>
<tr>
<td>$ 20,679,000</td>
</tr>
</tbody>
</table>

Income Available For Debt Service:

- Revenues in Excess of (Less Than)
  - Expenses: $ 409,000, $ (347,000), $ (7,000)
  - Addback:
    - Depreciation and amortization: 2,427,000, 3,101,000, 2,795,000
    - Interest expense: 1,201,000, 1,726,000, 1,493,000

Total income available for debt service: 4,037,000, 4,480,000, 4,281,000

Total debt service: 2,241,000, 3,032,000, 2,682,000

Debt Service Coverage Ratio: 1.80, 1.48, 1.60
CITY OF SAINT PETER, MINNESOTA

RESOLUTION NO. 2017 -

STATE OF MINNESOTA
COUNTY OF NICOLLET
CITY OF SAINT PETER

RESOLUTION APPROVING SCOPE AND PLANS; ACCEPTING GUARANTEED MAXIMUM CONSTRUCTION PRICE; AND DIRECTING SOLICITATION OF BIDS FOR THE 2018 RIVER'S EDGE HOSPITAL AND CLINIC EXPANSION PROJECT

WHEREAS, the Saint Peter City Council owns and directs the management of River's Edge Hospital and Clinic through the Hospital Commission; and

WHEREAS, the Council, through the Hospital Commission, has directed that review and analysis of design, operations and finances be done to explore an expansion of the Hospital including, but not limited to, additional licensed beds, operating rooms, physical therapy space and enhancements to the emergency department, ambulance use and storage, and to provide for security improvements; and

WHEREAS, architects, construction managers, owner agents and other professional consultants have worked with the Hospital staff to develop a plan that provides for the expansion and remodel; and

WHEREAS, a budget for the project has been set at $33,800,000; and

WHEREAS, both interim and long term financing has been investigated and the Hospital Commission has recommended to the City Council an appropriate budget and use of cash to provide for the project; and

WHEREAS the Hospital Commission has taken action to recommend to the City Council the project plans, acceptance of a guaranteed maximum price, and the solicitation of bids in two phases through the best value contracting process as authorized in State Statute.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAINT PETER, NICOLLET COUNTY, MINNESOTA, THAT:

1. The scope and plan for the 2018 River's Edge Hospital and Clinic Expansion Project, to include remodel and construction of additional square footage, is hereby approved.

2. The City Council accepts the Guaranteed Maximum Construction price provided by the Construction Manager McGough, in the amount of $24,495,613.

3. The Council authorizes solicitation of best value contracting bids for the 2018 River's Edge Hospital and Clinic Expansion Project to be completed in two phases.

Adopted by the City Council of the City of Saint Peter, Nicollet County, Minnesota, this 9th day of November, 2017.

Charles Zieman
Mayor

ATTEST:

________________________
Todd Prafke
City Administrator