

CONSENT ITEM – 8N



MEMORANDUM

DATE: March 9, 2026

TO: Honorable Mayor and City Councilmembers
Jessica Jagoe, City Administrator

FROM: David Swearingen, P.E. Public Works Director / City Engineer

SUBJECT: 2026 PMP Street & Utility Improvement Project –
Declaring Costs to be Assessed and Order Assessment Hearing

Budgeted Amount:	Actual Amount:	Funding Source:
\$3,421,030 (2026 PMP)	\$3,849,357	PIR, Utility Funds,
\$200,000 (AMP Hardcourt)	(Includes contingency)	Special Assessments, RCWD Grant
\$67,500 (AOP ADA)		
Total: \$3,688,530		

Council Should Consider

Motions to approve, table, or deny the following:

- Resolution 2026-010 Declaring Costs to be Assessed and Ordering the Preparation of the Proposed Assessments and Calling for a Public Hearing on the Proposed Assessments for the 2026 PMP Street & Utility Improvement Project.

Background/Discussion

On February 9, 2026, the City Council approved plans & specifications and ordered advertisement for bids for the 2026 PMP Street & Utility Improvement Project which includes the Arden Manor Park Hardcourt Improvements and the Arden Oaks Park ADA Improvements. The proposed improvements include bituminous paving, storm water improvements, watermain improvements, concrete curb and gutter repair, trail improvements, Karth Lake pump improvements, hardcourt reconstruction, ADA improvements, and appurtenant work on the following streets:

Streets proposed for Full-Depth Reclamation:

- Karth Lake Drive from the west cul-de-sac to Pleasant Drive
- Pleasant Drive from Amble Drive to the north cul-de-sac
- Pleasant Circle from the west cul-de-sac to Lexington Avenue (CSAH 51)
- Amble Drive from Karth Lake Drive to Lexington Avenue
- Amble Circle from Amble Drive to the north cul-de-sac
- Cummings Park Drive from the west cul-de-sac to Lexington Avenue

Full-Depth Reclamation consists of grinding the entire existing pavement section, shaping the generated aggregate material to raise the center crown to improve pavement drainage and repaving the roadway with 4-inches of bituminous pavement.

Streets proposed for Mill & Overlay:

- Karth Lake Circle from Hamline Avenue (CSAH 50) to the south cul-de-sac

Mill & Overlay consists of grinding and removing the top 2.5-inches of existing pavement and repaving the roadway with 2.5-inches of bituminous pavement.

Pursuant of Resolution 2026-006, bids were opened on March 4, 2026, after receiving 3 bids for the project. A full bid tabulation is provided in Attachment A. Below is a table of the bid amounts totaling staff's recommendation of the Base Bid plus Alternate 3, Alternate 5, and Alternate 6.

<u>Company</u>	<u>Bid Amount</u>
Bituminous Roadways	\$3,006,172.10
Park Construction	\$3,107,899.65
Northwest	\$3,219,579.24

The award of the Contract will be made to the lowest responsive, responsible Bidder based on the Proposal Form with the lowest base bid, or with the lowest sum of the base bid and any combination of selected bid alternates, at the discretion of the Owner. The decision to include alternate bid items as part of the basis for awarding the contract shall be at the sole discretion of the City.

The low bid of \$3,006,172.10, received from Bituminous Roadways, compares to the engineer's estimate which is \$2,797,123.25.

Staff would like to note, even though Northwest had the lower Base Bid (the only bid that contributes to the assessments), Bituminous Roadways had lower pricing on the street related bid items, therefore, the assessment amounts for all 3 categories shown below are lowest with the Bituminous Roadways bid.

The as-bid total project costs are used to calculate the assessable cost which, as described in the City's Assessment Policy, is half of the street project cost for residential properties with the addition of overhead. The draft Assessment Roll can be reviewed in Attachment B. The results of this analysis are as follows:

Residential Reclamation Areas:

50% Estimated Street Project Costs = \$541,275

Residential Equivalent Units = 105

Assessment Rate = \$5,155

Residential Mill & Overlay Areas:

50% Estimated Street Project Costs = \$71,295

Residential Equivalent Units = 21

Assessment Rate = \$3,395

Industrial Reclamation Areas:

70% Estimated Street Project Costs = \$197,960

Residential Equivalent Units = 280 (assumes 3 REU's per Acre)

Calculated Assessment Rate = \$707 per REU

To ensure the calculations resulting from the application of the City's assessment policy are in line with an appraiser's opinion of benefit to the properties in each improvement/zoning category, the City enlisted the services of Nagell Appraisal & Consulting to conduct a general benefit appraisal on the properties throughout each unique project area. The general benefit appraisals are included in Appendix D of the Feasibility Report.

The general benefit appraisals resulted in a range of benefit values for each improvement/zoning category, as indicated below:

Residential Mill & Overlay Areas

Single-Family Residential Non-Lakefront Lot Benefit Appraisal Assessment Rate = \$3,000 to \$4,000 per REU

Single-Family Residential Lakefront Lot Benefit Appraisal Assessment Rate = \$4,000 to \$5,000 per REU

Residential Reclamation Areas

Single-Family Residential Non-Lakefront Lot Benefit Appraisal Assessment Rate = \$8,000 to \$10,000 per REU

Single-Family Residential Lakefront Lot Benefit Appraisal Assessment Rate = \$9,000 to \$11,000 per REU

Industrial Reclamation Areas

Office/Industrial Benefit Appraisal Assessment Rate (up to 5 Acres) = \$0.15 to \$0.25 per SF

Office/Industrial Benefit Appraisal Assessment Rate (exceeding 5 Acres) = \$0.02 to \$0.05 per SF

Since the assessment rates calculated based on the City's assessment policy fell within or below the assessment rate range for each improvement/zoning category, it is proposed to maintain the assessment rates calculated based on the City's assessment policy for the project, or as directed by the City Council.

For comparison, the recent 2022 Arden Oaks Street Improvement (PMP) reclamation assessment rate was \$5,834.34 per unit and the 2024 PMP was \$6,045 per unit. For mill & overlay assessment rates the 2024 PMP was \$2,874 per unit. It is City staff's opinion that the proposed assessment rates are reasonable.

Many cities set their interest rate for assessments at two (2) percentage points over the bond interest rate. The City's assessment policy states that the interest rate used for the assessment shall be designated at the prime rate plus two (2) percentage points. The Council will decide the assessment rate at the hearing proposed for April 13, 2026.

The current assessment policy states that the typical overhead for a public improvement project is 37% of the construction costs. Staff believes this percentage is higher than necessary and recommends that approximately 27% (exact dollar amount below) of the construction costs is used as

overhead when calculating the assessment rates. Staff has made this recommendation on the past PMPs since 2021. The breakdown of the overhead costs can be found below.

Attachment C, Resolution 2026-010 declares the costs to be assessed and orders the Assessment Hearing which would be held on April 13, 2026 at the Regular City Council meeting. Following Council approval, notices will be sent to the properties seen on the as-bid Assessment Roll (Attachment B). The construction contract is not awarded at tonight’s meeting. Staff has had experience working with the low-bidder and can confirm is a responsible contractor and has completed similar projects. Staff and Bolton & Menk recommend using the low-bid to declare the costs to be assessed.

Budget Impact

Proposed project funding sources are a combination of the City’s Permanent Improvement Revolving (PIR) fund, utility funds, special assessments (adjusted based on as-bid prices), and Rice Creek Watershed Grants for the improvements summarized in the following table:

Funding Source Budget	2026 PMP	AMP Hardcourt	AOP ADA	Total Funds
PIR	\$ 1,170,000	\$ 200,000	\$ 67,500	\$ 1,437,500
Assessments	\$ 810,530	\$ -	\$ -	\$ 810,530
Water Utility	\$ 500,000	\$ -	\$ -	\$ 500,000
Sanitary Sewer Utility	\$ 200,000	\$ -	\$ -	\$ 200,000
Surface Water Utility	\$ 500,000	\$ -	\$ -	\$ 500,000
RCWD Grants	\$ 156,000	\$ -	\$ -	\$ 156,000
KLID Levy	\$ 84,500	\$ -	\$ -	\$ 84,500
Total Project Funding	\$ 3,421,030	\$ 200,000	\$ 67,500	\$ 3,688,530

Arden Hills was successful at being awarded \$156,000 from RCWD grant opportunities to go towards stormwater improvements. \$56,000 of that amount is dedicated for the Karth Lake Pump Improvements and \$100,000 is dedicated for the SAFL Baffle grit chambers and the new stormwater pond located at the south end of Karth Lake. Staff is still pursuing another RCWD Grant in the amount of \$10,000, which would be applied to the Karth Lake Pump Improvements.

Included in the funding table is the proposed Karth Lake Improvement District tax levy, which is calculated as 50% of the as-bid construction costs based off the recommended low-bid contractor’s price of \$225,000 from “Alternate 3” as shown in Attachment A and applying the \$56,000 RCWD grant $(\$225,000 - \$56,000) / 2 = \$84,500$. The original engineer’s estimate for “Alternate 3” was \$185,000, which calculated a \$64,400 cost split. City Council will decide the actual levy amount at the April 13, 2026 regular City Council Meeting.

Actual Project Costs	
Engineering Services	\$ 480,968
Materials Testing	\$ 60,000
Appraisals	\$ 1,600
2026 PMP contract	\$ 2,748,172
Arden Manor Hardcourt contract	\$ 190,000
Arden Oaks ADA Imp. contract	\$ 68,000
Construction Contingency	\$ 300,617
Total Project Costs	\$ 3,849,357

The anticipated total project cost of \$3,849,357 (w/ construction contingency) comes in \$160,827 higher than the total budgeted amount of \$3,688,530. Based on the current 2026 CIP projections, the 2026 PIR Fund balance is sufficient to absorb these costs. Further discussions on the long-term health of the PIR Fund will be revisited during the 2027 budget discussions.

Attachments

- Attachment A: Bid Tabulation
- Attachment B: As-bid Assessment Roll
- Attachment C: Resolution 2026-010