



DATE: March 14, 2022

TO: Honorable Mayor and City Councilmembers
David Perrault, City Administrator

FROM: Brad Fisher, Project Engineer – Bolton & Menk
David Swearingen, P.E. Public Works Director / City Engineer

SUBJECT: Snelling Avenue North Street and Utility Improvement Project –
Declaring Costs to be Assessed & Order Assessment Hearing

| | | |
|------------------|--------------------|---------------------------|
| Budgeted Amount: | Actual Amount: | Funding Source: |
| \$1,497,000 | \$1,622,585 | PIR, Special Assessments, |
| (2022 CIP) | (Based on Low Bid) | Future MSA, Utility Funds |

Council Should Consider

Motion to approve, table, or deny the following:

- Resolution 2022-014 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 Snelling Avenue North Street and Utility Improvement Project.

All items need a simple majority for action unless otherwise noted.

Background/Discussion

On February 14, 2022, the City Council approved plans & specifications and ordered advertisement for bids for the Snelling Avenue North Street and Utility Improvement Project located along Snelling Avenue North from Trunk Highway 51 to County Road E, Cummings Lane, and Bussard Court from Snelling Avenue North to 100-Foot West of Snelling Avenue North. The proposed improvements include bituminous paving, curb and gutter installation, storm water improvements, watermain improvements, sanitary sewer improvements and construction of a 10-foot wide bituminous trail along the west side of the entire length of Snelling Avenue North.

Pursuant of Resolution 2022-005 bids were opened on March 9, 2022. 4 bids for the project were received and are listed below. A full bid tabulation is provided in Attachment A.

| <u>Company</u> | <u>Bid Amount</u> |
|------------------------------|-------------------|
| T.A. Schifsky & Sons, Inc. | \$1,277,585.49 |
| Bituminous Roadways | \$1,308,038.93 |
| Park Construction | \$1,475,799.09 |
| Minnesota Paving & Materials | \$1,445,975.24 |

The low bid of \$1,277,585.49, received from T.A. Schifsky & Sons, Inc., compares favorably with the construction engineer's estimate which is \$1,289,000. Further analysis of the low bid; adding overhead and dividing it into the costs for Snelling Avenue North and Cummings Lane project areas results in the following street project costs:

- \$675,612 Total Street Cost for Snelling Avenue North
- \$62,176 Total Street Cost for Cummings Lane

Each of these total project costs were then analyzed for the assessable cost. The results of this analysis are as follows:

- The assessments related to Snelling Avenue North is calculated following the residential equivalent unit explained on Page 21 in the Feasibility Report:

Given the non-standard lot configuration and limited number of eligible properties along the Snelling Avenue corridor based on mailing addresses, assessments for Area 1 street improvements on Snelling Avenue were calculated by dividing 50 percent of street costs (trail costs not included) by the total length of roadway improvement frontage (8220-feet) to determine a cost per foot. This unit cost per foot was then multiplied by the minimum lot frontage for R1 zoned properties at 95 feet to arrive at a residential equivalent unit (REU) assessment rate.

Snelling Avenue North assessment rate of **\$3,905.00** per unit as compared to the Feasibility Report estimate of \$5,631.88.

- The assessments related to Cummings Lane are calculated in accordance with the City's Assessment policy, is half of the street project cost for residential properties. Cummings Lane assessment rate of **\$3,886.00** per unit as compared to the Feasibility Report estimate of \$4,870.85.

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. For the 2021 PMP, the assessment interest rate was set at two (2) percentage points over the assumed bond interest rate which was based on current market conditions at the time, our AAA rating, plus 15 basis points. The result was an assessment interest rate of 3.15%. Our current assumed bond interest rate is 2.05% and the prime rate is 3.25%. Both of these could change by the time of the assessment hearing. The council should look at setting the assessment rate somewhere between 4% and 6%. The attached resolution is consistent with this recommended action. The exact amount can be decided on tonight or wait until the assessment hearing date.

The current assessment policy also 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. The breakdown of the overhead costs can be found below.

Attachment B, Resolution 2022-014 declares the costs to be assessed and orders the Assessment Hearing which would be held on April 11th at the Regular City Council meeting. The construction contract is not awarded at tonight's meeting. Staff has experience with the low-bid contractor and can verify they are a responsible contractor and have completed similar projects. A list of references will be available as an attachment to the construction award memo at the April 11th meeting. Staff and Bolten & Menk have reviewed all documents and recommend using the low-bid to declare the costs to be assessed.

Budget Impact

The estimated total project cost and funding sources based on the final plans and specifications are summarized below.

Total Estimated Expenses

| | |
|---------------------|--------------|
| Construction: | \$ 1,277,586 |
| Engineering Design: | \$ 112,172 |
| Construction Mgmt: | \$ 87,684 |
| Gen Admin & Legal: | \$ 20,000 |
| Material Testing: | \$ 47,000 |
| Const. Contingency: | \$ 78,143 |
| TOTAL ESTIMATE: | \$ 1,622,585 |

Proposed project funding sources are a combination of the City's Permanent Improvement Revolving (PIR) fund, utility funds, future MSA funds, and special assessments for street improvements summarized in the following table:

Total Estimated Funding

| | |
|------------------------------|------------------|
| PIR Fund: | \$ 260,268 |
| MSA Fund (Future) | \$ 875,984 |
| Special Assessments: | \$ 140,409 |
| Water Utility: | \$ 290,291 |
| Sanitary Sewer Utility: | \$ 23,064 |
| <u>Surface Water Utility</u> | <u>\$ 32,569</u> |
| TOTAL FUNDING: | \$ 1,622,585 |

Attachments

Attachment A: Bid Tabulation

Attachment B: Resolution 2022-014

Attachment C: Presentation Slides