



**DATE:** March 21, 2022

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

**FROM:** Larry Poppler, Project Engineer - TKDA  
David Swearingen, P.E. Public Works Director / City Engineer

**SUBJECT:** Arden Oaks Street Improvement Project –  
Declaring Costs to be Assessed and Order Assessment Hearing

Budgeted Amount:	Actual Amount:	Funding Source:
\$583,000 (2022 CIP)	\$660,879.68	PIR, Special Assessments, Utility Funds

**Council Should Consider**

Motion to approve, table, or deny the following:

- Resolution 2022-013 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 Arden Oaks Street 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 Arden Oaks Street Improvement Project located within the Arden Oaks residential neighborhood. The proposed improvements include bituminous paving, storm water improvements, concrete curb and gutter repair, and appurtenant work on Arden Oaks Drive from Snelling Avenue North to County Road E and Arden Oaks Court.

On March 14, 2022, City Council decided to table this item to tonight’s meeting to address questions raised related to the contractor bid bond and how assessments will be affected by the awarded contractor. This information was provided to council and can be discussed as needed.

Pursuant of Resolution 2022-006, bids were opened on March 9, 2022, after receiving 9 bids for the project. The four lowest bids are listed below. A full bid tabulation is provided in Attachment A.

<u>Company</u>	<u>Bid Amount</u>
Astech Corporation	\$520,377.70
T.A. Schifsky & Sons, Inc.	\$522,711.61
Park Construction	\$526,500.62
Valley Paving	\$537,970.10

The low bid of \$520,377.70, received from Astech Corporation, compares favorably with the construction engineer's estimate which is \$538,607. Further analysis of the low bid by adding overhead, the total project cost for the street improvements is \$466,746.84.

The total project costs were then used for the assessable cost which, as described in the City's Assessment Policy, is half of the street project cost for residential properties. The results of this analysis are as follows:

- Assessment Rate of \$5,834.34 per unit as compared to the Engineer's estimate of \$6,131.10.

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 2022-013 declares the costs to be assessed and orders the Assessment Hearing which would be held on April 25<sup>th</sup> at the Regular City Council meeting. The construction contract is not awarded at tonight's meeting. Staff has gathered contractor references, Attachment C, to verify the low-bidder is a responsible contractor and has completed similar projects. Staff and TKDA have reviewed the references 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:	\$ 520,378
Engineering Feasibility & Design:	\$ 55,300
Construction Mgmt:	\$ 26,300
Gen Admin & Legal:	\$ 10,000
Material Testing:	\$ 15,000
Const. Contingency:	<u>\$ 33,902</u>
TOTAL ESTIMATE:	\$ 660,880

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

Total Estimated Funding

PIR Fund:	\$ 233,373.42
Special Assessments:	\$ 233,373.42
Water Utility:	\$ 5,099.05
Sanitary Sewer Utility:	\$ 20,358.10
Surface Water Utility:	<u>\$ 168,675.69</u>
TOTAL FUNDING:	\$ 660,879.68

**Attachments**

Attachment A: Bid Tabulation

Attachment B: Resolution 2022-013

Attachment C: Contractor References

Attachment D: 3-14-21 Mtg Presentation Slides