



City Council Memorandum

To: Mayor Fasbender & City Council Members
From: Nick Egger – Public Works Director
Date: May 14, 2020
Item: Contract Award for 2020 Neighborhood Infrastructure Improvements

COUNCIL ACTION REQUESTED

Council is requested to adopt the attached resolution to award a contract for the 2020 Neighborhood Infrastructure Improvements project.

BACKGROUND INFORMATION

The City received four bids for this project on April 22nd. A summary of the bids is listed below.

<u>Bidder</u>	<u>Total Base Bid</u>	<u>Bid Alternate</u>
A-1 Excavating – Bloomer, WI	\$3,597,304.65	\$36,119.75
McNamara Contracting – Rosemount, MN	\$3,920,981.97	\$40,481.25
Geislinger & Sons – Watkins, MN	\$4,718,874.50	\$36,605.00
Bituminous Roadways – Mendota Heights, MN	\$4,722,145.95	\$47,050.00

All four bids were competitive, with the low bid coming in 13% under the engineer's estimate. The engineer's construction cost estimate for the base bid work was \$4,135,000. The Bid Alternate bid was also received within the City's budgetary constraints.

POST-BID CONTRACTOR QUALIFICATION REVIEW

Contractors who furnished a bid were required to include a completed questionnaire and to submit a variety of company background and experience data to substantiate their ability to perform the work on this project. Contractors' proposals were also scored using objective criteria for the information being submitted. A score of 10 points being the minimum necessary to be considered qualified to perform the project work.

The qualification review for A-1 Excavating determined that their proposal score was 13 points, which meets the minimum score necessary to be considered qualified to perform this project. It should also be noted that A-1 Excavating was the Contractor for last year's neighborhood improvements, in which they met our substantial completion date and delivered the project on budget.

FINANCIAL IMPACT

As previously noted, the lowest two bids were competitive and below the construction cost estimate of \$4.135 Million. The City would stand to take advantage by performing this work. Additionally, a substantial piece of this project will be funded by the City's Municipal State Aid for Local Transportation account balance (gas tax dollars) for much of the 15th Street portion of the work and the total bonding that would be required for the project is a bit lower than forecasted in the 2020 Budget.

TIMING AND SPECIAL ASSESSMENTS

Staff understands that the Council may have reservation with committing to a large project when that in turn would require the adoption of associated special assessments, and that adopting any assessments in the midst of the COVID 19 pandemic may pose personal financial concerns for some of the affected property owners. To this point, Staff have discussed various means that could help ease this concern, and are presenting the

following alternatives for consideration.

Construction in 2020, Adoption of Assessments in 2020 – this is the standard operating procedure for these types of projects. Assessments adopted this year can be paid partially or entirely by November 30, 2020 without any fees or interest on the amount paid. If not paid in full, whatever balance remains is placed on the County property tax statement and is repayable for up to the next 10 years in annual installments, the first of which is due in Spring of 2021 with the May property tax statement. Attached is an example of the repayment schedule for the average single-family property assessment of \$4,500 with an estimated interest rate of 3.25%.

Construction in 2020, Defer Adoption of Assessments to 2021 – the Council would hold the assessment hearing in 2021 and act to adopt assessments then. Adoption of the assessments in 2021 would mean that anyone wishing to pay a portion or all of their assessment off before certification to the county property tax statement would have until November 30, 2021 to do so. For those assessments that are certified to the property tax statements, the first of the annual installments would not be due until May 2022. This allows for up to nearly two years from this point in time before any payment would have to be made, and still preserves the 10-year payoff period for those wishing to break repayment down into segments. Please see the attached example of the repayment schedule for the average single-family property assessment of \$4,500 with an estimated interest rate of 3.25%. It is essentially the same as for adopting assessments in 2020, but with a different starting date for repayment.

- *This scenario does present the risk of increased number of grievances from property owners that may like to tie any imperfect construction experiences to deserving of a reduced assessment amount.*

Postpone Construction and Adoption of Assessments to 2021 – Staff believes that the good bid received is prudent to act upon and the work is performed in 2020. However, the Council is free to consider postponement of the project. Postponing the project delays any onset of assessments until the end of 2021, with the annual installment repayments beginning in spring 2022. However, the project would have to be rebid. With this, there would be uncertainty about construction costs and interest rates which cannot be predicted right now. Staff will also note that the City does have a sizable number of construction project areas in the queue and 15th Street in particular has been in a dilapidated condition for the last 15 years, being held together by extensive patching efforts. From staff's perspective it is long overdue for improvement. Holding off an additional year to do this work will create additional maintenance needs to get it through until 2021, and put additional pressure on an existing backlog of projects. Staff is not recommending this option.

Increase Length of Repayment Period - The City could choose to increase the length of the repayment period from 10 to 15 years, allowing for the annual installments to be lower for each property owner. However, the tradeoff is that there will be added interest costs for both the homeowner and the City due to the elongation of the repayment period and the increased likelihood of a higher interest rate under this type of schedule (\$500+ for the average single-family property). With these downsides, it is staff's strong recommendation not to pursue this solution.

ASSESSMENT ABATEMENT PROGRAM REMAINS AVAILABLE

In addition to having all of the above alternatives at the City's disposal to help soften the immediate impact of special assessments, the City will continue to have use of the Assessment Abatement Program for this project, with \$71,000 available in Community Development Block Grant funds assigned towards assessment abatement for low and moderate-income households through the traditional application process facilitated by the Dakota County CDA.

STAFF RECOMMENDATION

Staff is recommending that the City Council move forward in adopting the attached resolution awarding the contract to A-1 Excavating, in the total amount of \$3,633,424.40, which includes award of Bid Alternate No. 1. The resolution has been written with flexibility for reflecting the Council's final determination of the year in which assessments will be considered and the length of term for payoff, and will be filled in accordingly.

ATTACHMENTS

- Resolution
- Examples of Assessment Repayment Scenarios

Assessment Repayment Alternatives & Annual Installment Amounts - 2020 Neighborhood Infrastructure Improvements

Construction in 2020, Assessments Adopted in 2020, 10-Year Repayment

Project-wide Average Assessment Amount - Single Family Property	\$4,500.00
Term (years)	10
Estimated Interest Rate	3.25%

Year	Principal	Interest	County Certification Fee	Installment Amount	New Principal Balance	Monthly Amount (Informational)
2021	\$450.00	\$158.67	\$5.00	\$613.67	\$4,050.00	\$51.14
2022	\$450.00	\$131.63	\$5.00	\$586.63	\$3,600.00	\$48.89
2023	\$450.00	\$117.00	\$5.00	\$572.00	\$3,150.00	\$47.67
2024	\$450.00	\$102.38	\$5.00	\$557.38	\$2,700.00	\$46.45
2025	\$450.00	\$87.75	\$5.00	\$542.75	\$2,250.00	\$45.23
2026	\$450.00	\$73.13	\$5.00	\$528.13	\$1,800.00	\$44.01
2027	\$450.00	\$58.50	\$5.00	\$513.50	\$1,350.00	\$42.79
2028	\$450.00	\$43.88	\$5.00	\$498.88	\$900.00	\$41.57
2029	\$450.00	\$29.25	\$5.00	\$484.25	\$450.00	\$40.35
2030	\$450.00	\$14.63	\$5.00	\$469.63	\$0.00	\$39.14
Total	\$4,500.00	\$816.80	\$50.00	\$5,366.80		

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CITY OF HASTINGS

DAKOTA COUNTY, MINNESOTA

RESOLUTION NO. _____

**RESOLUTION RECEIVING BIDS AND AWARDING CONTRACT FOR PROJECT 2020-1
2020 NEIGHBORHOOD INFRASTRUCTURE IMPROVEMENTS**

WHEREAS, pursuant to an advertisement for bids for Project 2020-1, the 2020 Neighborhood Infrastructure Improvements project, and bids were opened on April 22, 2020 and tabulated according to law, and the following bids were received:

<u>Bidder</u>	<u>Total Base Bid</u>	<u>Bid Alternate</u>
A-1 Excavating – Bloomer, WI	\$3,597,304.65	\$36,119.75
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Geislinger & Sons – Watkins, MN	\$4,718,874.50	\$36,605.00
Bituminous Roadways – Mendota Heights, MN	\$4,722,145.95	\$47,050.00

and

WHEREAS, each bidder was required to submit detailed information regarding their company’s ability to perform said project, and said information was reviewed and scored through the use of objective criteria for the purposes of determining bidder’s ability to perform the project work, and

WHEREAS, the lowest bidder, A-1 Excavating, met the minimum number of points in the bidder’s qualification review to meet the requirements, and

WHEREAS, it appears that A-1 Excavating is the lowest responsible bidder.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HASTINGS AS FOLLOWS:

1. The Mayor and Clerk are hereby authorized and directed to enter into a contract with A-1 Excavating.
2. The total amount of the contract is hereby declared to be \$3,633,424.40, which includes award of the Base Bid and Bid Alternate No. 1.
3. The City will consider adoption of special assessments in _____ with a _____ year assessment repayment schedule for property owners who choose for their assessment to be placed on the County Property Tax statement.

ADOPTED BY THE CITY COUNCIL OF HASTINGS, MINNESOTA, THIS 18TH DAY OF MAY, 2020.

Ayes:

Nays:

ATTEST: _____
Julie Flaten, City Clerk

Mary D. Fasbender, Mayor

SEAL