
From: Cotter, Mark
Sent: Friday, January 13, 2023 4:43 PM
To: City Council; City Council Staff
Cc: TenHaken, Paul; Beck, Erica; Gomez, Vanessa; Berg, Andrew; Ausen, Shannon; Engler, Gregg; Kooistra, Stacy; Rust, Scott; VerHey, Shannon; Philips, Weston; Peppel, Kurt; Bogue, Cheryl; Pritchett, Shawn; Harris, Jenna; Brown, Jourdyn; Hartzler, Allie; Cotter, Mark
Subject: 6th Street Project - Bridge and Roadway Improvements - Recommending Award

******Please Do Not Reply All******

Good Afternoon City Council and City Council Staff,

On December 22, 2022, we bid the 6th Street Downtown Project. The major elements of this project include a new bridge over the Big Sioux River, extensive underground public and private utility work, a large bore through quartzite rock under the railroad tracks to allow for the utilities to cross, and the elements for the future quiet zone/whistle reduction crossing. The project came in significantly over the engineer's estimate at \$21.8M. There are a number of drivers that make this project difficult to estimate:

- Limited bidders – This is a very complex project coupled with fact that there is a significant amount of bridge work in the region and several contractors are full or are nearly full for the year,
- Project access is a challenge and primarily must be built from one side, the east side,
- Limited staging area coupled with risk of high river flows with spring rains/runoff,
- Tight labor market and continued high construction cost inflation,

We have reviewed the bid and determined the additional funding needs (sales tax and enterprise funds) for the project and have developed a funding plan and are recommending this bid be awarded. Regarding the funding, in addition to the bridge reconstruction program dollars, we will transfer in funds we were planning to use for the next phase of Minnesota Avenue (under the program of Major Street Reconstruction). We are not able to move forward with the next phase of Minnesota Avenue this year because the 42" watermain pipe has a 40-week delivery timeframe, effectively postponing the project until 2024. We will also transfer in funds from several programs that had fund balance remaining at the end of 2022. Lastly, with your support and approval of a supplemental appropriation, we would close the remaining \$3.0 million gap with capital reserve funds.

The additional supplemental appropriation of \$3 million, the funding gap, will ensure this project can be awarded and move forward on a timely basis. The supplemental appropriation will be considered for first reading on January 17 and second reading (along with a capital resolution) at a special council meeting being held at 4 p.m. on January 24 in lieu of the regularly scheduling informational meeting. The source of the funding will be reserves held within the Sales/Use Tax (Capital) Fund. As you may recall, we typically have not held significant reserves in the Sales/Use Tax Fund, but over the last four years, with support from the Council, we have worked to boost this reserve from \$700K to \$4.87M presently through designation of end of year surplus funding. The purpose of this was to mitigate against changes in investments (mark to market adjustments), unexpected revenue fluctuations, as well as unanticipated needs for the capital program such as this. While we anticipate having a surplus in the Sales/Use Tax Fund significantly larger than the \$3 million being used from reserves for this supplemental appropriation, we have not yet been able to fully close the books for 2022 to provide you a good final calculation of what that surplus will be. When that does occur, we may propose to take a portion of that surplus and place it back in the reserve to bring its balance back and support unexpected needs in the future.

The bid for this project is a great example of what we are up against in terms of the current bidding environment and the continued struggles with escalating costs and materials / contractor availability as we work to continue to move forward with high priority commitments and ensure we are keeping up with the needs of this community. Shawn Pritchett and I will attend the council meeting on January 17 to answer any questions you may have in regard to this supplemental appropriation request. The full award of the bid for this project was made subject to the council passing the supplemental appropriation ordinance.

Please don't hesitate to reach out to Shawn or I if you have questions.

Take care and enjoy your weekend!



Mark Cotter, P.E.

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