



MAYOR AND COUNCIL COMMUNICATION

DATE: 8/06/2013
REGULAR
ITEM #: 15

AGENDA ITEM: Olson Lake Trail Sanitary Sewer Extension – Discussion and Consideration of Project Alternatives
SUBMITTED BY: Jack Griffin, City Engineer
THROUGH: Dean A. Zuleger, City Administrator
REVIEWED BY: Adam Bell, City Clerk
Chad Isakson, Project Engineer

SUGGESTED ORDER OF BUSINESS:

- Introduction of Item..... City Engineer
- Report/Presentation City Engineer
- Questions from Council to Staff..... Mayor Facilitates
- Public Input, if Appropriate..... Mayor Facilitates
- Call for Motion..... Mayor & City Council
- Discussion Mayor & City Council
- Action on Motion Mayor Facilitates

SUMMARY AND ACTION REQUESTED:

The City Council is respectfully requested to review the options for moving forward regarding the Olson Lake Trail Sanitary Sewer Extension project, and provide direction to staff. The recommended motion for this action is as follows:

“Move to direct staff to take to following actions regarding the Olson Lake Trail Sanitary Sewer Extension project:

- 1. Award the Contract to the lowest responsible bidder and absorb additional costs funded through the Sewer Enterprise Fund.***
- 2. Rebid the project as an “add alternate” to the Section 34 Water and Sewer Project.***
- 3. Reject all bids and wait to complete Phase 1 and Phase 2 together when the County resurfaces Olson Lake Trail (in 2015 or 2016).***
- 4. Rehear the project and consider raising the assessment amount levied against the benefitting property owners to cover the additional construction costs.***

BACKGROUND:

The Olson Lake Trail Sanitary Sewer Extension project was initiated by a petition for municipal sewer service from two properties located in the City of Oakdale. Upon receipt of the petition, Oakdale contacted the City of Lake Elmo to inquire interest by Lake Elmo properties to be served by the Oakdale sewer system and thereby share in the project costs.

Following several meetings with the Lake Elmo property owners and the City of Oakdale, the City of Lake Elmo authorized the preparation of a joint Feasibility Report to investigate feasibility and costs for the project. The Feasibility Report was presented and approved at the February 19, 2013 council meeting, and amended to include one additional property on March 19, 2013.

The key recommendations outlined in the Feasibility Report are as follows:

- Design and construct an initial project in 2013 to respond to immediate sewer needs of the Oakdale properties and at least one Lake Elmo property. This project would extend sewer north approximately 580 feet and would be constructed in the boulevard of CSAH 13 without disturbing the roadway surface. The Project would serve 5 Lake Elmo properties and 2 Oakdale properties.
- Coordinate Phase 2 sewer extension to 50th Street N. to be constructed together with a future County Resurfacing Project (anticipated in the County CIP for 2014-2016). Phase 2 would serve an additional 11 Lake Elmo properties and 7 Oakdale properties.
- Treat TOTAL project as one for assessment purposes. All properties, in Oakdale and Lake Elmo, in Phase 1 and Phase 2, would be assessed equally in the amount of \$18,500. Assessments would be levied over 15 years.
- The unit assessment would be increased for inflation by \$500 each year.
- The Feasibility Report estimated project cost was \$141,000 (\$109,000 construction), with Lake Elmo's share of the project costs being \$100,715 (5/7ths).
- Lake Elmo intended to assess \$92,500 (\$18,500 unit assessment against 5 properties), the remaining amount to be carried by the city until after Phase 2 was completed.

STAFF REPORT:

BID RESULTS AND ANALYSIS: Contractor bids were received on June 27 for the Olson Lake Trail Sanitary Sewer Extension project. Six bids were received ranging from \$158,300 to \$285,256. The Engineer's post-design construction cost estimate as completed by SEH, Inc. was \$109,000.

Staff has completed a thorough review of the bids and has determined that the main factor in this high bid was the small size of the project. Staff has also reviewed the project with the apparent low bid contractor and no additional savings is evident through a redesign. Therefore, one of the potential options that staff does not recommend is rebidding this Phase 1 project by itself.

After factoring in all the project costs the project is running \$54,700 over budget. Because the first phase includes 5 Lake Elmo properties and 2 Oakdale properties, the Lake Elmo share of the overage would be (5/7 of the cost) \$39,100 if the project was awarded to go forward.

OPTIONS MOVING FORWARD: Because this is a joint project with the City of Oakdale, the options moving forward need to be mutually agreed to by both cities. Staff has continued conversations with Oakdale staff to identify and vet through the pros and cons of various options. Staff will present the options outlined below more thoroughly at the council meeting.

1. Award contractor bid to get the Phase 1 sewer installed as planned. Each city must absorb the additional costs from the sanitary sewer enterprise fund. Lake Elmo share would be \$37,900 as described above. PRO: keeps the project moving forward and the residents happy who need sewer. Costs are known. CON: City sewer fund is not flush. Is the investment worth getting the project done?

2. Reject the bid and rebid the project together with the Section 34 Water and Sewer project (Lennar Utility project). This is a high risk/high reward alternative. PRO: Potential to receive lower bids by attaching the project to a much larger, more attractive project. Could move project ahead and save money (say up to \$30,000). CON: Will cost additional money to rebid (est. \$4,000). Contract documents must be converted from City of Oakdale to City of Lake Elmo and project agreement must be redone to identify Lake Elmo as lead entity. There is no guarantee of getting better bids, may sink additional costs with no benefit.
3. Cancel the Project and wait to complete Phase 1 and Phase 2 together when the county reconstructs Olson Lake Trail. PRO. We rebid project as a larger one time project and can rebid it during the off peak bid times. CON. The County continues to indicate that the road project will not occur until 2016. Lake Elmo residents continue to struggle with failing septic systems, with some potentially needing replacements.
4. Rehear the project (call new Assessment Hearing) with the intention of awarding the project but increasing the unit assessment amount so that no city costs are incurred due to the overage. Assessments would increase from \$18,500 to \$25,600 if spread across only the 5 properties for Phase 1. PRO: keeps the project moving forward and the residents happy who need sewer. Cost increases are born by the benefiting properties. Assessment hearing gives property owners opportunity to weigh in. CON: Increased costs to property owners are steep. Rehearing the project is expensive and complex; Project is delayed to allow Report to be amended to reflect new costs, and assessment hearing to be held to levy new assessments. Unlikely to please all property owners.

ADDRESSING AFFECTED RESIDENTS: Staff has already contacted the 5 affected properties to notify them of the delay in the project award. Three properties have expressed a willingness to wait, one has expressed a need to connect, and one has not called back. Properties in Phase 2 have not yet been notified. They are not expecting a project for several years. Once staff has developed a direction for the project, all property owners will be notified by letter and a resident meeting will be scheduled.

RECOMMENDATION:

The City Council is respectfully requested to review the options for moving forward regarding the Olson Lake Trail Sanitary Sewer Extension project, and provide direction to staff. The recommended motion for this action is as follows:

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2. ***Rebid the project as an “add alternate” to the Section 34 Water and Sewer Project.***
3. ***Reject all bids and wait to complete Phase 1 and Phase 2 together when the County resurfaces Olson Lake Trail (in 2015 or 2016).***
4. ***Rehear the project and consider raising the assessment amount levied against the benefiting property owners to cover the additional construction costs.***

ATTACHMENT(S):

1. Project Location Map