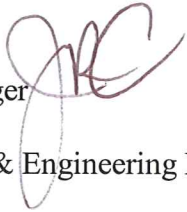


**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: John Crooks, Utilities Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: Horizon Drive Water Main Project
DATE: April 27, 2017

ISSUE

The City issued an addendum and extended the bid period at the Commission's request to include an alternate bid item to install a 12 inch trunk water main in Horizon Drive. The City Council is scheduled to award the contract at their May 2nd meeting and the Commission needs to decide if they project should proceed with the water main or not.

BACKGROUND

This issue was previously reviewed and discussed at the Commission's April 3rd meeting.

In the interim staff met with representatives from the Living Hope Church to gauge their possible interest in a deal for the church to sell some of their parcel to the Commission for a future elevated water tank to help offset some of the church's expenses in connecting to city sewer and water. The church representatives replied after a few days that they did not have interest in pursuing such an arrangement. The church does not desire nor intend to connect to city water whenever it is installed and it is unclear at this time if they will have to connect to the city sewer for their planned expansion.

DISCUSSION

Bids for the city project were opened on April 26th and the added construction cost for the 12 inch water main is \$141,967 by the low bidder Northwest Asphalt. (It is important to note that they are the low bidder with or without the water main included.)

Per agreement with the city a 20% cost for design engineering, project management, financing, i.e. project costs is added to city projects for Commission water main projects, so the actual costs would be \$166,106 for the 12 inch trunk water main. Finance Director Renee Schmid has determined that the current Commission cost of borrowing funds is 4.2% and that the Commission is currently earning 1% on its investments. So, the "opportunity" carrying cost would appear to be 5.2% of the \$166,106 or \$8,637.51 per year.

Ballpark cost estimates for the 12 inch trunk water main construction were \$215,480 and \$172,000 for an 8 inch lateral equivalent.

Staff estimates the lateral water main cost equivalent would be \$135,584 with the 20% project cost fee. Thus trunk water main over sizing costs to be permanently paid out of the Trunk Water Fund would be \$30,522 and the balance would be established as the Lateral Water Main Equivalent cost with that cost to be collected whenever one of the rural residential lots or the church connected to the water main for service.

There is not a dedicated funding source for lateral water main costs, so that cost too would be paid out of the Trunk Water Fund as in past projects with the future fees collected against the Lateral Water Main Equivalent cost to be paid back into the Trunk Water Fund. There is one rural residential lot across from the church that has yet to have a house constructed on it and there are two other lots that have homes with private well and septic currently. Staff understands since this is a city initiated sewer project that the city is not intending to fix a deadline for hookup by these properties.

Previously staff identified the following potential funding sources in the 2017 CIP Trunk Fund:

Trunk Water Mains Projects by SPUC tbd	\$10,000
Oversizing 12 inch Corrigan/Goode Parcel from Horizon Drive s/e to Muhlenhardt Road	62,700
Oversizing tbd	<u>85,000</u>
Subtotal	\$157,700

There are also projects in the 2017 CIP Trunk Fund that appear doubtful at this point to be completed in 2017, most likely being deferred to a later date with timing determined by city/development interests:

Oversizing 12 inch Vierling Drive from Taylor Street to CR 69	\$ 43,300
Oversizing 16 inch Krystal Addition to CR 79	61,651
Subtotal	\$104,951

Thus, the potential available 2017 funding total could be \$262,651 however the deferred projects would then have to be funded in a future year.

REQUESTED ACTION

Staff requests the Commission provide direction if it wishes to have the water main installed under the city project in 2017.