

ITEM#: 37  
DATE: 06-22-21

### COUNCIL ACTION FORM

**SUBJECT: PRAIRIE VIEW INDUSTRIAL CENTER UTILITY EXTENSION PROJECT  
(EAST INDUSTRIAL AREA UTILITIES)**

#### **BACKGROUND:**

The Prairie View Industrial Center (East Industrial) Utility Extension Project consists of the extension of water and sanitary sewer mains to the recently annexed area east of Interstate 35 (I-35). Plans include water main and a gravity sewer main between I-35 and Potter Ave (formerly 590th), a force sewer main from Teller Ave (formerly 580th) to west of Freel Drive, and a sewer lift station. Most of this new area to be served by City utilities east of I-35 has been certified by the Iowa Economic Development Authority as the Prairie View Industrial Center.

After the project was previously bid (low bid \$7,098,946) and rejected in Spring 2020, City staff in partnership with Ames Chamber of Commerce & Economic Development staff applied for a federal economic development grant toward this project. **The grant was successfully received in the amount of \$1,500,000 from Department of Commerce Economic Development Administration (EDA)** and approved by City Council on April 27, 2021.

Stanley Consultants prepared updated plans and specifications, meeting EDA requirements, with a Base Bid (EDA grant eligible portion) to include all sanitary sewer force main, lift station plus gravity sewer and water main to Teller Avenue (580th) and an add alternate (Alternate 1) to extend water and sanitary sewer to Potter Avenue (590th). **Stanley's estimated cost for the Base Bid was \$5,247,855 and \$1,242,625 for Add Alternate 1, for total estimated construction costs of \$6,490,480.**

Plan revisions/updates made by Stanley included creating a base bid with the add alternate package, adding existing pavement information for contractors' information, adding temporary construction areas, and providing for a longer project completion timeframe (substantial completion by May 13, 2022 and final completion by June 30, 2022). A deduct alternate (Alternate 2) was added by addendum during the bidding period where the contractor could identify how much they would be willing to deduct from the contract to extend the completion date to December 31, 2022. Engineering and administration to complete the project are estimated in the amount of \$225,000.

Funding for this project includes \$4,300,000 in G.O. Bond revenue included in the Capital Improvements Plan and \$1,500,000 from the EDA grant, resulting in total available funding of \$5,800,000.

On June 9, 2021, bids for the project were received as follows:

Bidder	Base Bid (To 580 <sup>th</sup> )	Alt. 1 (580 <sup>th</sup> to 590 <sup>th</sup> )	Alt. 2 (Extended Completion Schedule)	Base + Alt. 1 (to 590 <sup>th</sup> )
<i>Engineer's Estimate</i>	\$5,247,855.00	\$1,242,625.00	--	\$6,490,480.00
Keller Excavating	6,168,791.40	1,609,072.50	0.00	7,777,863.90
Hentges & Sons	6,750,000.00	1,361,110.00	(22,222)	8,111,110.00
On Track	8,416,517.00	2,140,119.00	(100,000)	10,556,636.00

### **ANALYSIS OF BIDS:**

Staff has analyzed the bids and consulted with other professionals regarding the current bidding environment. **The current bidding environment is very difficult due to material shortages, supply chain delays, and workforce issues caused by COVID-19.** It is anticipated that the bid prices next year will be similar to this year. However, in two years prices may normalize after the material suppliers and product manufacturers are able to catch back up with normal production. Additionally, the portion of the project between 580<sup>th</sup> and 590<sup>th</sup> is less technically challenging than the base bid project. The bidding environment may be more competitive for a standalone project to install the utilities between 580<sup>th</sup> and 590<sup>th</sup> Avenue at a later date.

**Therefore, staff is recommending that the project award be only for the base bid that extends infrastructure through 580<sup>th</sup>. The remaining extension to 590<sup>th</sup> would be bid at a later date. In consultation with the Ames Chamber of Commerce and the Ames Economic Development Commission leaders, awarding the base bid to 580<sup>th</sup> will meet the needs of development projects currently being pursued.**

### **AVAILABILITY OF ADDITIONAL FEDERAL FUNDS:**

The \$5,800,000 in planned funding for this project is short of the \$6,168,791.40 bid submitted by the low base bidder, Keller Excavating. In addition to the base construction bid, funds are also required to cover the engineering/administration and contingency expenses for the project.

**The City was recently notified that over \$14 million will be received through the American Rescue Plan Act (ARP) Coronavirus State and Local Fiscal Recovery Funds.** This Act provides funding to local agencies to cover revenue losses that occurred due to the COVID-19 pandemic. Any remaining funds may be used for investments in water, sewer, and broadband infrastructure. The ARP interim final rule provides governments with wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for their communities.

These rules align eligible uses with the types and categories of projects that would be eligible to receive financial assistance through the EPA's Clean Water State Revolving

Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). These EPA programs include extension of water and sewer that facilitates likely development. **A preliminary review indicates that of the total \$14 million expected from the ARP, approximately \$3 million will be available to backfill lost revenues, leaving approximately \$11 million for water and sewer infrastructure investments.** A project budget indicating the originally planned funding sources and amounts and all available ARP funds is shown below:

	<b>Avail. Funding</b>	<b>Base Bid (I-35 to 580<sup>th</sup>)</b>	<b>Base Bid + Alt. 1 (I-35 to 590<sup>th</sup>)</b>
<b>REVENUES:</b>			
G.O. Bonds	\$ 4,300,000	\$4,300,000	\$4,300,000
EDA Grant	1,500,000	\$1,500,000	\$1,500,000
<i>Subtotal Original Funding</i>	<i>\$ 5,800,000</i>		
Supplemental Funding Available from American Rescue Plan	\$11,000,000	\$900,000	\$2,591,756.90
<b>TOTAL</b>		\$6,700,000	\$8,391,756.90
<b>EXPENDITURES:</b>			
Construction (Low Bid)		\$6,168,791.40	\$7,777,863.90
Contingency (~5%)		306,208.60	388,893.00
Engineering/Administration		225,000.00	225,000.00
<b>TOTAL</b>	<b>\$16,800,000</b>	<b>\$6,700,000.00</b>	<b>\$8,391,756.90</b>

**To complete the extension of utilities to 590<sup>th</sup> (Base bid + Alt. 1), \$2,591,756.90 of the anticipated \$11M in available ARP funds would be required to supplement the \$4.3M G.O. Bond funding and \$1.5M EDA grant.**

**To complete the base bid alone (utilities to 580<sup>th</sup>), \$900,000 of the anticipated \$11M in available ARP funds would be required to supplement the \$4.3M G.O. Bond funding and \$1.5M EDA grant.**

City staff had previously identified G.O. Bond savings from other projects that could potentially be used to address a shortfall with this East Industrial Utilities project. Regardless of whether utilities are extended to 580<sup>th</sup> or to 590<sup>th</sup>, staff proposes keeping those G.O. Bond savings available for other important projects and utilizing the ARP funds as the supplemental source for this project. Staff will work to prioritize the use of the remaining ARP funds and will present recommended projects for City Council's consideration in early Fall 2021.

## **ALTERNATIVES:**

1. a. Accept the report of bids for the Prairie View Industrial Center Utility project.  
b. Approve the final plans and specifications for this project.  
c. Authorize the use of \$900,000 from ARP funds for this project.  
d. Award the Base Bid to Keller Excavating of Boone, Iowa, in the amount of \$6,168,791.40, contingent upon acceptance by EDA. **This alternative will construct utilities to 580<sup>th</sup> (Teller) Avenue.**
2. Approve Alternative #1 as described above, but authorize staff to use \$900,000 from G.O. Bond savings as the supplemental funding source in lieu of using any ARP funds for this project. **This alternative will construct utilities to 580<sup>th</sup> (Teller) Avenue.**
3. a. Accept the report of bids for the Prairie View Industrial Center Utility project.  
b. Approve the final plans and specifications for this project.  
c. Authorize an additional \$2,591,756.90 from ARP funds for this project.  
d. Award the Base Bid and Alternative 1 to Keller Excavating of Boone, Iowa, in the amount of \$7,777,863.90, contingent upon acceptance by EDA. **This alternative will construct utilities to 590<sup>th</sup> (Potter) Avenue.**
3. Award the contract to one of the other bidders.
4. Do not proceed with this project.

## **CITY MANAGER'S RECOMMENDED ACTION:**

**The policy questions before the City Council are: 1) Whether to extend the water and sewer utilities to 580<sup>th</sup> Avenue or to 590<sup>th</sup> Avenue at this time, and 2) How much, if any, of the anticipated ARP funding should be used to cover the shortfall in the project budget?**

Traditionally, staff would recommend completing a project all under one contract and not phasing the construction over time. This is typically done to avoid potentially higher total costs resulting from demobilizing and remobilizing at the project site and to avoid

subjecting the second phase to the risk of cost increases. The current bidding environment is very difficult due to material shortages, supply chain delays, and workforce issues resulting from COVID-19. **Staff believes a more favorable bidding environment will exist within the next two years which would result in a lower cost to extend the utilities to 590<sup>th</sup> in the future.**

It would be possible to use a portion of the ARP monies to fund any or all of the \$8,391,756.90 needed to fund the water and sewer extensions to 590<sup>th</sup>. However, staff believes more time is needed to identify and prioritize the water and sewer projects that should be financed with this new source of revenue before obligating a major portion of this new revenue source to this project.

**In order to proceed with the utility extensions to 580<sup>th</sup>, staff recommends utilizing a small portion of the ARP allotment, \$900,000, which also allows for a project contingency. This strategy will preserve the bulk of this new federal funding for other infrastructure projects. This approach does not prevent the City from utilizing ARP funds for the utility extensions to 590<sup>th</sup> at a later date if it is determined to be the best option to complete that portion of the project.**

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.