

**September 18, 2023**

**Agenda Item #2b**

**Recommendation for Award of Project #11-22R, Jonen Park Pavilion Re-bid**

**Background**

The Engineering Department has reviewed the bids from Milbach Construction, Blue Sky, Lunda, IEI General Contracting, and Mike Koenig Construction received on August 30<sup>th</sup>, 2023 at 4:00PM for the 11-22R Jonen Park Pavilion Re-bid. A Bid Tabulation is attached. Results of the bid opening were also shared with Board of Public Works two weeks ago, but no formal recommendation was made due to the project cost being over budget. Discussion of what possible funding sources may be available, park facility usage, and formal recommendation was requested.

**Review**

After reviewing the bids and the deductive alternate bids received from the five contractors, the bids from Milbach and Blue Sky are comparable and competitive. After discussions with a few of the contractors, some who bid and some who did not submit bids, the reasoning for the project cost exceeding budget may include project scope/scale being smaller than some other projects, labor shortages especially from subcontractors, more work being available in the region. It is my opinion that the project cost will not be significantly reduced in the near future, so if the City desires to have a quality facility at Jonen Park, we should complete the project under this contract with City staff participating where possible to reduce project cost.

City staff has also reviewed possible funding strategies in an attached memo for your review.

**Recommended Action**

Award Project 11-22R Jonen Park Pavilion Re-bid to Milbach Construction Services, Kaukauna, including the base bid price of \$654,697.00, with deductive Alternate Bid Units #1-5 for a total deduct of -\$35,298.00; a total contract award price of \$619,399.00.

Owner:	City of Kaukauna				
Project Name:	Jonen Park Pavilion				
Contract No.	K0006 06-22-00149				
Bid Date:	Wednesday August 30, 2023				
Bid Time:	4:00 p.m., local time				
Project Manager:	Kevin Chevalier				
CONTRACTOR:	Milbach	Blue Sky	Lunda	IEI General	Mike Koenig
Lump Sum Bid - Bid 2	\$654,697.00	\$690,094.00	\$774,002.00	\$799,900.00	\$799,980.00
Alternate No. 1 - Plumbing Fixtures/Installation by Owner	(\$7,500.00)	(\$7,500.00)	(\$7,500.00)	(\$7,500.00)	(\$7,500.00)
Alternate No. 2 - Painting Interior Masonry by Owner	(\$5,820.00)	(\$5,820.00)	(\$6,000.00)	(\$2,500.00)	(\$7,660.00)
Alternate No. 3 - Concession Casework by Owner	(\$2,321.00)	(\$7,300.00)	(\$7,794.00)	(\$20,000.00)	(\$2,321.00)
Alternate No. 4 - Landscaping seeding by Owner	(\$7,997.00)	(\$7,998.00)	(\$7,000.00)	(\$6,000.00)	(\$7,000.00)
Alternate No. 5 - In lieu of Glue Laminated Trusses, Provide Stndrd	(\$11,660.00)	(\$15,000.00)	(\$10,000.00)	(\$19,000.00)	(\$23,915.00)
Alternate No. 6 - In Lieu of Tongue and Groove Provide Metal Look Soffit	<del>\$40,700.00</del>	\$94,355.00	(\$3,850.00)	\$56,000.00	\$85,620.00
Alternate No. 7 - In lieu of ERV Provide Exhaust Fans and Louvers	<del>(\$11,125.00)</del>	(\$4,942.00)	\$5,834.00	(\$1,200.00)	(\$7,234.00)
Total Deduct	(\$35,298.00)				
Total with Deductive Alternates #1-5	\$619,399.00	\$646,476.00	\$735,708.00	\$744,900.00	\$751,584.00

#### Additional Expense and Financing

City Purchases for In-Kind Work	\$ 12,000.00
Engineering/Design	\$ 50,000.00
<b>Total Project Cost</b>	<b>\$ 681,399.00</b>
Previously Borrowed	\$ (350,000.00)
<b>Total Additional Funds Needed</b>	<b>\$ 331,399.00</b>



# MEMO

## Finance

To: Board of Public Works

From: Finance Director

Date: 09/18/2023

Re: Jonen Park Funding

The Jonen Park project has already borrowed \$350,000. From the recent bid openings there is a gap between on hand project funds and project cost. The possible financing options for the additional cost of Jonen Park can be managed a few different ways. Below is an overview of the four available funding options for the Jonen Park project. It is important to consider these options carefully as we move forward with the funding decisions.

1. **Bonding:** The first option involves the typical funding method through bonding. This would involve obtaining additional funds through the capital borrowing process. The repayment of this debt would be incorporated into our annual debt service. While this option is unlikely to directly impact the tax rate, it will need to be factored into our levy calculations as we blend in all future debt service over the next ten years while we pay the bond back. Historically we have been able to keep the debt service flat which indicates we are paying off debt at a similar rate to what we are issuing new debt.
2. **Unspent ARPA Funds:** The second option involves utilizing the unspent funds allocated through the American Rescue Plan Act (ARPA). These funds were provided to support communities in recovering from the economic impacts of the COVID-19 pandemic. By utilizing these funds for the Jonen Park project, we can maximize the impact of the ARPA funds while advancing our park development goals. Council reviewed and approved a list of projects back in August 2022. Since that time there are a few known projects that we will underspend what was allocated. These funds can be earmarked for this park project. This will only get the project around \$130,000 at this point so this funding option would have to work in conjunction with one of the others.

3. **Fund Balance:** The third option involves utilizing the fund balance we are expecting this year, thanks to the recent spike in interest rates. The funds we have in the bank are earning an interest rate of over 5%, resulting in a significant amount of additional revenue that we are estimating for yearend that was unexpected. This increased fund balance can be utilized to cover a substantial portion of the Jonen park project costs, thereby reducing the need for external funding sources. It is worth noting that this option provides an opportunity to leverage the current economic climate to our advantage by utilizing the surplus generated from our investments. If this option is the most desired, I would recommend we only use funds that bring our fund balance down to 30% of our operating 2024 proposed budget. This option can cover the entire amount needed to close the gap mentioned above.
4. **Levy Line Item:** The fourth option involves utilizing the levy line item from last year that was allocated specifically for parks and pools. Without affecting the tax rate, the city has the option to levy for parks and pools again this year and allocate the funds towards the Jonen Park project. This allows us to utilize the existing resources earmarked for parks and pools to support the development of Jonen Park and not affect the tax rate. This line was added last year because the need for park development became evident and the city had the capacity to include this in the levy to accomplish some of these updates.

Considering the information provided above, there are several avenues available to bridge the gap between the original project funds and the bid amount. Encouragingly, our city has the flexibility to finance park improvements not only for Jonen Park but also for other parks throughout our community if that aligns with our priorities. Whichever option is chosen, any alternative options not selected can be reserved for future projects.

This overview serves as an illustration of the potential approaches to funding the remaining Jonen Park project. If either option one or two is preferred, we can further refine the details in 2024 when the next bonding cycle occurs, and as more information on available unspent ARPA funds becomes available. Options three and four will be addressed through the budget process and can be determined during that comprehensive exercise. With that, a funding decision does not have to be made tonight, rather understand we have a few options to reassure funding ahead of awarding bids for this project.

Please feel free to reach out to me if you require any additional information or have any concerns regarding the funding options. I will be more than happy to provide any further clarification needed.