



Staff Report

File #: 24-159
Version: 1

Date: 4/22/2024
Item #: 3.3d.

TO: Mayor and City Council
THROUGH: Keith Stahley, City Manager
FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Authorization of the use of bond premium funding to complete the 2024 Pavement Rehabilitation and Replacement project

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Good Governance; Safe, Reliable and Efficient Infrastructure.

SUMMARY:

The City opened bids for the 2024 Pavement Rehabilitation and Replacement and the low bid was greater than the amount allocated in the 2022 Safety and Livability Bond Measure. Staff are recommending the use of bond premium to be able to award the bid.

When a municipal bond is valued above the market interest rate the buyers pay a premium in order to secure the bonds. This premium is paid to the issuer (the City) with the same restrictions as the balance of the bond dollars.

ISSUE:

Shall the City Council authorize the use of \$660,000 of the Safety and Livability bond premium to award the 2024 Pavement Rehabilitation and Replacement project.

RECOMMENDATION:

Authorize the use of \$660,000 of the Safety and Livability bond premium to award the 2024 Pavement Rehabilitation and Replacement project.

FACTS AND FINDINGS:

On March 27, the City opened bids for the 2024 Pavement Rehabilitation and Replacement project, which will replace pavement and update sidewalk ramps on Commercial Street SE from Fabry Road SE to the Interstate 5 ramps and on Liberty Street SE from Mill Street SE to Trade Street SE. There has been rapid construction cost escalation since project estimates were compiled during development of the 2022 Safety and Livability Bond. This is especially true for the pavement rehabilitation and replacement projects in the program, which have a large proportion of their cost dependent on volatile material prices such as asphalt and concrete. The amount of sidewalk ramp work along with modifications at signalized intersections to comply with ADA requirements also exceeded the initial estimate. As a result, the bid construction cost for the project is higher than the estimate that was developed for the bond. In order to award the contract to the apparent low bidder, Roy Houck Construction, \$660,000 from bond premium is required to fully fund the scope originally included in the bond program.

BACKGROUND:

The City issued the first round of \$100 million of bonds in 2023 and received \$7,392,973 in tax-exempt bond premiums. This funding is currently being used for project administrative costs and overhead. Through March 2024, \$672,325 has been used for these administrative costs.

Attachments:

1. None