City of Afton

SPECIAL COUNCIL MEETING AGENDA

AFTON CITY COUNCIL CHAMBERS
3033 St. Croix Trail South **(See Note Below)**

Monday, September 28, 2020
At 6:00 p.m.

Note: Due to the Covid-19 Virus and the Governor's Executive Order, the September 28, 2020 Special City Council Meeting will be held remotely using the Zoom video conference application.

To Join the Zoom Meeting:

The Link is: https://us02web.zoom.us/j/88999566218

Meeting ID: 889 9956 6218

To Dial In, the call-in number is +1 312 626 6799
The meeting ID is 889 9956 6218

One tap mobile
+13126266799,,88999566218# US

CALL TO ORDER

1. **ROLL CALL**

2. **APPROVAL OF AGENDA** – September 28, 2020 Special Council Meeting

3. **CITY COUNCIL BUSINESS**

   A. **30th Street Improvement Project and Lump Sum Pricing vs. Unit Pricing on Smaller Public Works Projects**

4. **Adjourn**

A quorum of one or more City commissions or committees may be present to receive information during this meeting

City of Afton
3033 St. Croix Trl, P.O. Box 219
Afton, MN 55001

Meeting Date Sept. 28, 2020

Council Action Memo

To: Mayor Palmquist and City Council Members

From: Ron Moorse, City Administrator

Date: September 24, 2020

Re: 30th Street Improvement Project and Lump Sum Pricing vs. Unit Pricing for Small Public Works Projects

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At the September 15 meeting, staff had requested the Council approve a payment of $81,991 to the 30th Street Improvement Project contractor upon completion of the shouldering, which was the final step of the project. This amount plus the initial payment of $80,000 equals $161,991, which is 90% of the contract amount. The final 10% was to be approved at the October 20 Council meeting. At the meeting, the City Engineer indicated the final quantities were lower than the estimated quantities, which could reduce the overall cost of the project by approximately 15%. Based on this information, rather than approving the recommended 90% amount of $81,991, the Council approved a payment of $70,000. Council member Nelson requested that this payment amount be addressed at a Special Council meeting prior to the October 20 meeting. The question to be addressed regarding the payment amount is whether the contractor should be paid based on the lump sum price quote or based on the unit pricing contract.

Lump Sum vs. Unit Pricing

The City does public works projects in two ways. Large projects, (over $175,000) are required to be competitively bid, which involves a formal bid process. Smaller projects are done through soliciting price quotes, which is a more informal process. With a formal bid process, unit-pricing is used, which ties the final payment amount to actual quantities, i.e. tons of asphalt, cubic yards of gravel, etc. A unit-pricing contract is used that lists the main elements of the project with estimated quantities and pricing per quantity,,i.e. per ton or per cubic yard. At the completion of the project, the actual quantities are determined and the final payment is determined by multiplying the final quantities by the pricing per quantity. A good example is the 2017 Street Improvement Project, which involved 16 miles of street improvements.

With price quotes, lump sum pricing is used, which ties the payment amount to the specific price quote and the completion of the project. Generally, a price quote project would not involve a unit pricing contract, but rather a lump sum amount to be paid based on acceptable completion of the project. A good example is the large culvert replacement project on 30th Street. Tri County provided the low price quote of approximately $89,000, and was paid that amount upon project completion.

The 30th Street project cost was anticipated to be just below the threshold for a formal bid process, so a price quote process was used. Executive Contractors provided a lump sum price quote for the project that was just below the formal bid process threshold. Due to the project being a relatively large project, and the City not having significant experience with the contractor, a contract was required. A unit price contract vs. a lump sum price contract was provided to the contractor. The contractor completed the contract, filling in estimated quantities and the same total as his price quote. He did not understand the actual payment was going to be based on whether the actual quantities were more or less than his estimated quantities, and has provided invoicing reflecting the lump sum amount.

Council Action Requested

Motion regarding whether the 30th Street Improvement Project is to be treated as a lump sum project or a unit price project in determining payment to the contractor, and whether the 90% payment of $81,991 should be paid rather than the $70,000 payment.