



# City of Blaine Anoka County, Minnesota

Blaine City Hall  
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## Legislation Details (With Text)

**File #:** WS 22-090    **Version:** 1    **Name:** Cost for Contracts Commodities  
**Type:** Workshop Item    **Status:** Agenda Ready  
**File created:** 8/1/2022    **In control:** City Council Workshop  
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**Title:** Costs for Contract Commodities  
**Sponsors:** Jon Haukaas  
**Indexes:**  
**Code sections:**  
**Attachments:**

Date	Ver.	Action By	Action	Result
8/1/2022	1	City Council Workshop	Informational: no action required	

**Workshop Item** *Jon Haukaas, Director of Public Works*

### Title

#### Costs for Contract Commodities

### Background

Staff will provide a brief explanation of the current state of commodities and labor and its impact on pricing.

Staff will then review how estimates are created for a project as it is proposed in a 5-year Capital Improvement Plan, Preliminary design/Feasibility report, Final design, and review of actual bids.

### Market Pricing of Commodities and Labor

All areas of commodity costing have been extremely volatile in the last few months for things like chemicals, fertilizers, etc. The current backlog of projects and scarcity of labor significantly impacts costs and the ability to deliver projects.

The lead time on signal poles are as much as 48 weeks. Watermain fittings like valves and hydrants have lead times of 16-24 weeks. Some cities are pre-ordering or buying these materials separate from a construction contract to have them on hand for the following year projects prior to any design. Concrete structure manufacturers are scheduled out into next year and can only take orders to build when they can. Projects bid now will not be able to be constructed in this year. Many factories cannot staff three shifts like they have in the past and so production is not keeping up with demand.

### Cost estimating for a 5 Year Capital Improvement Plan.

To create a program of improvement projects, estimating is generally based on past projects of similar type and size. Staff has taken historical costs for past project and compressed them into a cost per linear foot for streets and utilities or square footage for facilities. There is usually a contingency built into these estimates as the scope of the project is not well defined. To create an accurate budget for a 5-year CIP a project should start the year prior to construction with the

preliminary design/feasibility report.

**Cost estimating for a preliminary design/feasibility report.**

Cost estimating at this level includes some added details to a project scope and is better defined. Usually, the project design is starting to be created and additional details are being incorporated into the construction plans. Estimates are now based on the preliminary design project items. While all of the project items are not yet quantified or accounted for at this level, cost estimates generally include a contingency of 15-25%.

**Cost estimating based on a Final Plans.**

Estimating at this level is based on final construction plans. The scope is usually well defined, and the estimates are based on all of the items needed to complete the project. The costs for the items are reviewed from past projects and are reviewed against current bidding environment for similar type projects. These are the costs that are compared to the actual solicited contractor bids.

**Actual Bids.**

There are several factors to consider on the timing of when to bid a project. The general factors are the time of year and the volume of similar type work in the region. These factors generally have influence on the bid pricing and available contractors. Other factors that we currently seeing influence project costs include the availability of materials or untimely delays in delivery of supplies. Both lead to increases in pricing or contractor's request to extend project schedule completions.

Actual bids are brought forward to council for approval a 10% contingency is usually requested with the award. This is for any unforeseen site conditions that are unable to be investigated prior to actual construction commencement.

**Staff Recommendation**

This item is an informational update. No Council action is needed.

**Attachment List**