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January 12, 2022

RE: City of Ramsey, Minnesota  
Water Treatment Plant Trunk  
Watermain Improvements  
SEH No. RAMSY 159783 14.00

Honorable Mayor & City Council  
City of Ramsey  
7550 Sunwood Drive NW  
Ramsey, MN 55303

Dear Mayor & City Council Members:

On Tuesday, January 4, 2022, at 10:00 a.m., two (2) bids were received for the above-referenced project. The bids ranged from a high of \$8,391,994.66 to a low of \$6,737,287.45 across two bid schedules. Schedule 1 reflected a combination of open cut and horizontal directional drilling (HDD) installation methods for PVC watermain construction while Schedule 2 reflected only the HDD installation method.

	<b>Contractor</b>	<b>Total Schedule 1 Bid</b>	<b>Total Schedule 2 Bid</b>
1	Park Construction Co.	\$6,737,287.45	\$7,059,102.16
2	Forest Lake Contracting, Inc.	\$7,652,529.55	\$8,391,994.66
	Engineer's Estimate	\$4,875,068.50	\$4,916,194.50

The low bid received was reflected in the Schedule 1 bid and was submitted by Park Construction Company, of Minneapolis, MN in the amount of \$6,737,287.45. This bid was approximately 38% higher than the Engineer's Estimate of \$4,875,068.50, mainly due to highly inflated PVC pipe costs reflected in both bids.

Current volatility within the supply chain for components such as resin used for manufacturing PVC pipe and labor challenges due to the pandemic drove pipe material and construction costs up substantially by the end of 2021. If costs continue to rise in 2022, it will increase the likelihood of change orders as contractors pursue claims to recover unforeseen costs not recognized in their bids. This will add additional fiscal challenges for the project. The low number of bids received was likely reflective of the highly inflated pipe material costs adding to the fiscal risk of prime contractor bonding for the work being performed by a subcontractor performing the horizontal directional drilling component of the watermain installation.

Accordingly, we recommend the project not be awarded at this time to allow material and construction costs to be monitored during 2022 with the anticipation a rebid will present more favorable bids and additional bidders.

Sincerely,

Chad E. Setterholm, PE  
Project Manager  
(Lic. MN)

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