



INFORMATION TO PROPERTY OWNERS

PHASE 13 BECKER PARK STREET PROJECT

April 11, 2013

Dear Property Owner:

The purpose of this correspondence is to provide additional information and context for how street projects are funded generally, how assessment rates are determined, and the relationship between the "bid amount" and assessment rates.

Background Information on Street Project Funding Mechanisms

In 1995 the Crystal City Council started the Crystal Street Reconstruction Program. This program consists of 16 phases and is scheduled to run from 1995 through 2017. At the very beginning, the Council understood that due to the 22 year timeframe, it would be critical that special assessment rates were kept as fair as possible, from one project to the next, while still keeping up with increasing construction costs.

The Council determined that by using a combination of special assessments, State Aid gas tax dollars, Storm Drain Utility funds, and other available funding, it would be possible to reduce the special assessment rates for single family/duplex properties by approximately 35%. All of these non-special assessment funding categories were consolidated into the **Street Reconstruction Fund**. This is the fund by which the reconstruction projects are managed and cash flowed from year to year.

The Street Reconstruction Fund provides the required additional funding and cushion to prevent what would otherwise be large fluctuations in the assessment rates from one project to the next. Without the Fund, each project would become "stand alone" and subject to project specific soil and drainage conditions, and fluctuations in oil and storm drain pipe prices, and the labor market, which all impact bid prices.

In 1995 the Council determined that the entire reconstruction program had to be considered a city wide effort and no particular neighborhood should have to pay more or less than the next or previous neighborhood due to poor soils, poor drainage, or economical or more expensive bidding conditions. This means that from one project to the next the assessments have to keep up with annual increased construction costs, and at the same time be tempered with dollars from the Fund to keep increases from one project to the next to a reasonable level.

The Fund is an accumulation of multiple funding sources including any unspent funds that may remain at the conclusion of any given project. Since 2004, six projects have received contributions from the Fund and two projects have made contributions to the Fund.

(over)

Phase 13 Assessment Rates

The proposed assessment rates in the mailing you received last month show a unit rate of \$5,286, which is a 7.5% increase over the Phase 11 rate of \$4,917 set in 2011. This is an average increase of 3.75% per year. This does not quite keep up with construction cost increases which have been 5.9% per year between 2011 and 2013.

Bids for Phase 13 were opened on March 14. The construction low bid was \$5,727,010. This was \$242,320 below the engineers estimate prior to the bid. The total estimated cost of the project is \$6,305,830.

There are no contingencies built into this estimated total cost number. The \$242,320 represents a 3.8% contingency for a \$6,305,830 project that has not started construction yet. When building 5.6 miles of road, there are many unknowns that can occur that could use up a contingency very quickly.

At the March 19 City Council meeting, the Council voted to retain the \$242,320 as a contingency rather than use all or part of it to reduce the single family/duplex unit assessment rate. No savings have been realized yet because the bid price is still only an estimate until the project is completed by the middle of 2014. This decision meant that the proposed increase of 7.5% would be unchanged.

Upon project completion, any of the \$242,320 funds that are unused will remain in the Street Reconstruction Fund and only be used for future street reconstruction projects. It must be noted that the Street Reconstruction Fund is already programmed to contribute \$802,973 to the Phase 13 Project in order to keep the assessments at the 7.5% rate increase rather than something higher.

The simple interest rate of 5.0% on the special assessments, spread out over a 15 year period, on a property owner's property tax statement, has also remained unchanged from the feasibility study and post bid opening.

If you have any additional questions, please contact Tom Mathisen, City Engineer, at 763-531-1160 or tom.mathisen@crystalmn.gov. If you have specific questions about paying your assessment please contact Gail Van Krevelen, Assessing Specialist, at 763-531-1118 or gail.vankrevelen@crystalmn.gov.