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MEMORANDUM

TO: Silver Lake City Council

FROM: John Rodeberg, PE (MN) and Jordan Van Oort, PE (MN)

DATE: February 16, 2021

RE: USDA-RD Project Team Update
SEH No. SILAK 152875 14.00

Jordan Van Oort and David Krueger are planning on being at the City Council meeting to provide an update on the USDA-Rural Development project, understanding that there are new members on the City Council, and additional progress and information is available, and additional actions warranted.

Included below is **background information** on the Preliminary Engineering Report and Environmental Review that were submitted to USDA-RD last November. We continue to have conversations with USDA-RD and regulatory agencies, and have the following notes and actions to discuss:

1. **PER/ER Review:** The report is still in the queue at RD, as limited resources and projects with shorter timelines are being addressed. Due to the size and complexity of the Silver Lake project it is likely to take a little longer to complete the review, however RD has added engineering staff and projects are now moving forward much more efficiently than recent experiences. We continue to respond to requests for additional information. ***Jordan will update the Council on the project and recent conversations.***
2. **Water Tower:** RD has noted that, regarding historic preservation, the abandonment of the existing water tower, even though it won't be removed, constitutes an adverse effect so a MOU (Memorandum of Understanding) with SHPO (State Historic Preservation Office) and the City will be needed to ensure the existing tower does not deteriorate due to non-use. We have developed a maintenance plan for consideration and approval by the City Council. ***The Water Tower Maintenance plan will be presented for approval by the City Council***
3. **Funding/Financing:** As noted in the information below, USDA-RD does not appear to have sufficient funding and financing available to address the City of Silver Lakes needs in the foreseeable future. Therefore, we are asking the City to consider working with David Krueger and others from SEH's Grant/Community Development staff to develop a plan for approaching the Minnesota State Legislature about bonding. David/SEH has had success in receiving bonding with other larger and complex projects proposed as RD projects. As it takes time to develop a bonding proposal, a decision needs to be made by April. ***David will explain the bonding process and request approval for pursuing funding through special legislation.***

Engineers | Architects | Planners | Scientists

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BACKGROUND INFORMATION

The Preliminary Engineering Report (PER) and Environmental Report (ER) were submitted to USDA-Rural Development (RD) Area Specialist Doug Grindberg in early November of 2020 for review and analysis. These reports address expected infrastructure needs of the community in the long-term, which will likely include work beyond what will eventually be determined to be feasible or needed in the short or middle term. As noted by USDA-Rural Development, **improvements must be noted in the PER/ER to be considered for funding** and inclusion in improvements projects.

Early response from Terry Lauwagie of USDA-RD indicated that they would likely recommend that the City consider dividing the improvements into about 4 projects over 8 years in order to address the City's financial needs and USDA-RD budget issues and are supportive of trying to get the projects funded and the City share reduced. Project scopes and priorities will need to be reviewed in more detail.

As part of this process, the reports are reviewed for completeness with USDA-RD expectations and requirements, and the financial and funding alternatives are analyzed (including potential grants) and recommendations for initial project scope are developed. Meetings will be held with Doug and Shannon Sweeney of David Drown Associates once this review is completed. It was originally proposed and expected that this work would occur in early 2021, with design later in 2021 and construction in 2022. With the potential for a request for bonding, **it may be recommended to consider completing the work as larger projects over a shorter period, starting in 2023, to be more efficient in the financing, development, management and construction of the multiple projects.**

PER: The 202-page report reviews needs, alternatives and financial considerations in detail. See the next page for more detailed information from the report.

ER: The 260-page report reviews environmental considerations related to the proposed projects (land use, floodplains/wetlands, air, noise, waste generation, socio-economic, water quality, endangered species, potential mitigation needs, cultural resources, etc.). As discussed during the process, the project scope was revised to address requests by the Minnesota State Preservation Office (SHPO) to include an Archaeological survey to address potential historical artifacts that could be effected by the construction, as well as an **Area of Potential Effect (APE) cultural/architecture review** related to work at or near the historic Silver Lake Water Tower and the WPA-era Silver Lake Auditorium. This work was completed by **Duluth Archaeology** and the findings include in the ER and PER. Although there are no indications of any significant concerns, state and federal agencies will utilize this report to identify any issues that need to be addressed or mitigation that may need to be completed.

Proposed Schedule

Milestone	Date
Public Hearing	June 4, 2020
PER/ER Completion: submittal to USDA-RD	November 2020
USDA-RD PER Review (4 months)	November-February 2021
USDA-RD Funding Obligation	February – March 2021
Preliminary Engineering Design (3 months)	March-May 2021
USDA-RD Engineering Review (2 months)	June-July 2021
Final Engineering Design (5 months)	August-December 2021
USDA-RD Legal Review	January 2022
USDA-RD Legal/Engineering Approval (3 months)	January-March 2022
Bidding	April 2022
Award Project	May 2022
Start Project	May 2022
Substantially Complete Project	October 2023
Final Completion	July 2024

Preferred Alternatives Total Project Cost

Item	Water Storage Tank & Pump Station	Pressure Filter WTP	Streets, Distribution, Collection and Storm	Wastewater	Totals
Construction Cost	\$1,038,700	\$1,839,130	\$15,584,640	\$1,498,448	\$19,960,918
Construction Contingency	\$103,870	\$183,913	\$1,558,464	\$149,845	\$1,996,092
Estimated Total Construction Cost	\$1,142,570	\$2,023,043	\$17,143,104	\$1,648,293	\$21,957,010
Land Acquisition	\$0	\$0	\$10,000	\$25,000	\$35,000
Engineering	\$186,966	\$367,826	\$3,116,928	\$329,659	\$4,001,379
Legal and Admin	\$25,968	\$45,978	\$389,616	\$37,461	\$499,023
Testing	\$8,310	\$14,713	\$124,677	\$11,988	\$159,687
Non-Construction Cost Subtotal	\$221,243	\$428,517	\$3,641,221	\$404,107	\$4,695,089
Interim Interest	\$35,186	\$63,250	\$536,236	\$52,952	\$687,624
Estimated Total Capital Cost	\$1,398,999	\$2,514,811	\$21,320,561	\$2,105,352	\$27,339,723

POTENTIAL PROJECTED FUNDING BREAKDOWN

USDA-RD Wastewater Eligible	\$12.3M
USDA-RD Water Eligible	\$ 9.9M
USDA-RD Storm Water Eligible	\$ 1.4M
City Cost (Non-eligible)	\$ 3.7M
Total	\$27.3M