



Request for City Council Committee Action From the Department of Public Works

Date: September 14, 2006
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Subject: **Asphalt Plant**

Recommendation:
Receive and File

Previous Directives:

- December 23, 2005 – Transportation and Public Works Committee - Council Direction
 1. Decline the alternative proposal for a long-term procurement agreement for hot-mix asphalt as requested in the Request for Proposal for a Joint venture Asphalt Plant
 2. Proceed to procure future hot mix asphalt from private producers through a competitive bid process in 2006 and 2007; and
 3. Direct staff to return to Committee with the Alternative Analysis, including the costs of full deconstruction, storage, and alternative possibilities, prior to, or as a part of, the planning process for the Hiawatha Yard site.

- March 1, 2005 – Transportation and Public Works Committee Receive and File:
 2. Procure hot-mix asphalt from private producers for the 2005 construction season.
 3. Submit a Request For Proposals (RFP) for a Joint Venture Asphalt Plant. This RFP prepared jointly with the City of Minneapolis Finance Department would solicit private hot-mix asphalt producers for ideas and partnership arrangements for the existing Asphalt Plant facility. Public Works will report its findings to Committee as to the feasibility of this option.
 4. Explore and test the options to utilize the existing asphalt plant facility to develop a smaller asphalt storage/distribution facility.
 5. Staff shall contact other units of government to determine their asphalt demand schedules and explore possible partnership agreements.

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Approved by: _____
Steven A. Kotke, P.E., City Engineer/Director of Public Works

Presenters: Paul W. Ogren P.E., Director of Field Services

Financial Impact (Check those that apply)

- no financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Special assessment against benefited properties.
- Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information:

The Hiawatha Yard site has been an integral part of the City of Minneapolis's Public Works operations for well over 70 years. Many of those years, the City has had an asphalt and concrete production facility on this site. Several years ago the concrete plant was decommissioned and subsequently removed in the summer of 2004.

The asphalt plant has been source of much discussion and study for the past decade, especially in 1997 and forward with the approval of the 1997 Paving Products Report. For the past three years, Public Works has bid out asphalt production to the private sector with the existing storage silos at the plant being utilized as an asphalt distribution facility. The asphalt silo distribution facility is utilized to facilitate the small load distribution of asphalt products mainly to the Street Maintenance Division. This operation is unique, but has seen operational advantages as a result, and is planned to be continued.

The asphalt plant is in need of significant capital investment just to restart, let alone to be viable for long term asphalt production. In 2003, this capital investment was estimated by an asphalt plant manufacturer to be approximately \$1,660,000. Also the asphalt needs of the City, as shown in their operating budgets, as well as the capital program, are reduced to the point, where the justification of the City of Minneapolis owning and operating its own Asphalt Plant is not feasible for the next 5 years (see below).

Annual Asphalt Usage:

2003: 103,000 tons
2004: 61,000 tons
2005: 58,000 tons
2006 (as of the end of July): 13,354 tons
2006 (anticipated year end): 55,000 tons

Below estimates done utilizing 2006-2011 CIP

2006: 55,000 tons
2007: 48,000 tons
2008: 40,000 tons
2009: 45,000 tons
2010: 50,000 tons
2011: 54,000 tons

The Hiawatha Maintenance Facility project has a dedicated \$15M in capital dollars for the reconstruction of the Yard and Facilities. The planning and programming of the Hiawatha Maintenance Facility is actively underway. It is anticipated that a Request for Proposals for

architectural services will be solicited in the fall of 2006. It is also anticipated that preliminary demolition of the site could begin as early as the fall of 2007.

During the course of planning and programming of the Hiawatha Yard, a process is being followed looking at the Field Services Division, and what the Division might look like in 2010 following the rebuilding of the Hiawatha yard is completed. This includes, but not limited to, organization structure, heighten cooperation and collaboration within Public Works and other City Departments, enhanced customer service, and realigning common tasks and activities. The work areas that are slated to be housed at the Hiawatha Maintenance Facility are: Paving Construction, Street/Bridge Maintenance, the Sewer and Storm Drain area, the Engineering Laboratory, and Central Stores.

Through the course of planning, programming, design, and construction of the Hiawatha Maintenance Facility, Public Works intends to:

- Decommission the asphalt plant and remove as needed to facilitate the proposed Hiawatha facility.
- Continue utilizing the asphalt storage silos as an asphalt distribution center and the appropriate portions of the asphalt plant for Street Department operations. At the current time this entails mainly the liquid asphalt storage tanks to facilitate the storage and distribution of liquid asphalt which is an important component in street repairs.
- Reserve 2.5 acres of the site (the area as determined by the asphalt plant footprint) for a future purpose of a new asphalt plant or the relocation of the East Side Water Facility from its Hennepin Avenue location.

An approximate cost of removing and disposing of the existing asphalt plant is \$850,000. The cost of relocating the East Side Water facility from the East Hennepin Avenue Facility to the Hiawatha Maintenance Facility is estimated to be approximately \$7,500,000. It is anticipated that a new asphalt plant on this site would be estimated to be approximately \$1,760,000 (based off a 2005 estimate). The funding mechanism for any of these alternatives would need to be determined, prior to the commencement of any construction.

cc: Greg Goeke
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Michael D. Kennedy