

May 14, 2015

Mr. Deron Muehring, P.E.
 City of Dubuque
 50 W. 13th St
 Dubuque, IA 52001

**Re: Upper Bee Branch Creek
 City of Dubuque, Iowa**

Dear Mr Muehring:

As requested, IIW, P.C. has prepared the following regarding the current and future construction cost trends to assist in the City's evaluation of the alternatives for the Upper Bee Branch Creek. We would not consider this to be a comprehensive study, rather a recent compilation of data and reported information in conjunction with the evaluation of the Contract 1-2015 and Contract 2-2015 bids for the Upper Bee Branch.

The Iowa Department of Transportation publishes a price trend index for Iowa highway construction. The 4th Quarter 2014 Report is the latest our office was able to access as the 1st Quarter 2015 Report is pending completion in approximately 3 weeks. The 4th Quarter 2014 Annual Price Trend Composite Index increased from 268.4 in 2013 to 292.0 in 2014 suggesting an 8.8% increase in construction cost from 2013 to 2014 for the three major categories of construction including Roadway Excavation, Pavement and Structures. The most notable increases occurred in concrete pavement and concrete structures. We requested a forecasted price trend; however the IDOT reported they do not have that information.

A sampling of recent and local projects illustrates what appears to be volatility in bids for public infrastructure projects. In our opinion, this is evidenced by not only comparing the low bids to the estimates, but comparing the range of bids received. Examples include the Upper Bee Branch Contract 2-2015 Structures (\$5.7 mil to \$7.7 mil), Dubuque Airport Utilities (\$9.4 mil to \$11.1 mil), and Lake Delhi Dam Phase 2 (\$7.9 to \$10.7 mil). We received several reports from local contractors of public infrastructure projects where the low bids were double digit percentages higher than estimated (e.g. Durant, Iowa WWTF), instances where bid dates were being extended to attract more bidders (e.g. North Liberty WWTF), and one instance of a single bidder from Kentucky (e.g. Ottumwa Water Treatment Plant).

Reportedly, construction industry associations are indicating a growing shortage of qualified workers consistent with reports from some local contractors. One example is the Associated General Contractors of America, 2015 Construction Hiring and Business Outlook provided a survey and reported 81% of construction firms expect it will either become harder or remain as difficult to find qualified workers in the next 12 months. NICC was able to provide the attached Construction Occupation and Industry Outlook (Ten Years), Dubuque County as well regarding labor shortage.

Regional demand may also be attributable to labor shortages and increases in material costs. For example, the Iowa DOT reportedly plans a record \$700 mil in 2015 for road construction in addition to \$200 mil for street & bridge repairs, and new paving. Cedar Rapids flood protection projects, coupled with reportedly an unprecedented amount of construction in the Iowa City and Coralville area are noted.

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Once again we acknowledge this is not a comprehensive study. The intent is to provide a relatively quick compilation of information to assist the City in evaluating the options presented in the May 14, 2015 correspondence from Strand Associates, Inc.

Sincerely,
IIW, P.C.

A handwritten signature in blue ink, appearing to read "Michael A. Jansen", followed by a long horizontal line that ends in an arrowhead pointing to the right.

Michael A. Jansen, P.E., S.E.
Chief Executive Officer | Principal Civil & Structural Engineer

Enc.

Cc: Strand Associates, Inc.