



DMC  
Destination  
Medical Center

Destination Medical Center Corporation  
Board of Directors Meeting

Tuesday, July 22, 2025  
9:00 A.M.



DESTINATION MEDICAL CENTER CORPORATION (DMCC)  
SPECIAL BOARD MEETING

Tuesday, July 22, 2025  
9:00 A.M.

Mayo Civic Center, 30 Civic Center Dr SE, Rochester, MN

To View the Meeting Remotely: <https://www.youtube.com/destinationmedicalcenter>

AGENDA

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I. Call to Order	
II. Roll Call	
III. Approval of Agenda	1
IV. Link Bus Rapid Transit	
Resolution: Approving Amendment to the 2025 Five Year Capital Improvement Plan and Amending Resolution No. 156-2024	3
V. Adjournment	

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**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_\_-2025**

**A RESOLUTION APPROVING AMENDMENT TO THE 2025 FIVE YEAR CAPITAL  
IMPROVEMENT PLAN AND AMENDING RESOLUTION NO. 156-2024**

**BACKGROUND RECITALS**

A. A critical component of the Development Plan adopted by the Destination Medical Center Corporation (“**DMCC**”) on April 23, 2015, as amended (the “**Development Plan**”) concerned mobility, transformative transportation strategies, and related development. The Development Plan highlighted the goal of a mode shift in transportation in which a significant portion of community trips downtown shift away from single occupant vehicle trips and towards other modes, including the Link Bus Rapid Transit (the “**BRT**”) running down 2nd Street.

B. In the 2025 Five Year Capital Improvement Plan (the “**2025 CIP**”), approved by the DMCC on September 26, 2024 per Resolution No. 154-2024, the DMCC approved \$13,740,000 in general contingency funding (the “**Contingency Funding**”) for the BRT project. As a result of the approved Contingency Funding, the DMCC approved on December 5, 2024 per Resolution No. 156-2024, criteria for the preservation and use, approval, and reporting of the Contingency Funding (the “**BRT Contingency Criteria**”).

C. Staff of the City of Rochester (the “**City**”) are in receipt of project bids for completion of the BRT project. The total project costs, based off the bids received by the City, are approximately \$173.9 million (the “**BRT Project Costs**”) which are in excess of the initial estimates provided by the City, as further discussed in **Exhibit A** attached hereto. The BRT Project Costs utilize the majority of the \$175.4 million in allocated resources to the BRT project. As a result, the Contingency Funding previously allocated is insufficient per U.S. Federal Transit Administration contingency balance guidelines, which apply to the BRT project. City staff requests that the DMCC authorize \$21,240,393 in additional contingency funds thereby increasing the Contingency Funding to \$22,752,072 (the “**Contingency Funding Increase**”). Said Contingency Funding Increase shall be funded through State and County Transit Aid as set forth in **Exhibit A**.

D. Pursuant to Resolution No. 156-2024, the DMCC approved criteria for use of BRT Contingency Funding (the “**BRT Contingency Criteria**”). The DMC EDA is undergoing review of the BRT Contingency Criteria and intends to present any revisions to the BRT Contingency Criteria to the DMCC Board of Directors for consideration in September 2025. Prior to any such revisions being submitted, the DMC EDA recommends that the BRT Contingency Criteria be modified to permit the City to use the Contingency Funding for limited emergency purposes as set forth in **Exhibit B**.

E. Staff of the City now request that the DMCC approve an increase in the 2025 CIP in the amount of \$21,240,393 to fund the Contingency Funding Increase based upon the summary and detail attached as **Exhibit A**. Further, the DMC EDA requests that the DMCC approve modification to the BRT Contingency Criteria as set forth above.

## **RESOLUTION**

**NOW, THEREFORE, BE IT RESOLVED**, by the DMCC Board of Directors, that the DMCC approves an amendment to the 2025 CIP in the increased amount of \$21,240,393 to fund the Contingency Funding Increase based on the following findings:

1. The Contingency Funding Increase is to provide aid in support of the implementation of the BRT project which is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, located within the Development District and consistent with the Development Plan.

2. The Contingency Funding Increase meets the U.S. Federal Transit Administration contingency balance guidelines and is necessary to support the completion of the BRT project.

**BE IT FURTHER RESOLVED**, that the approval of the amendment to the 2025 CIP in the increased amount of \$21,240,393 to fund the Contingency Funding Increase is expressly subject to the following conditions:

1. Use of the Contingency Funding Increase is subject to the Amended BRT Contingency Criteria and continued compliance with said criteria.

2. The DMC EDA updates the DMCC Board of Directors with its determination as to the source of the Contingency Funding Increase.

**BE IT FURTHER RESOLVED**, that the DMCC Board of Directors, acknowledges the BRT Project Costs set forth in **Exhibit A** attached hereto and hereby accepts such amount.

**BE IT FURTHER RESOLVED**, that the DMCC Board of Directors approves modifying the BRT Contingency Criteria to permit the City to use Contingency Funding as set forth in **Exhibit B**; provided, that:

1. Use of the Contingency Funding shall be in strict compliance with requirements set forth in **Exhibit B**.

2. Use of the Contingency Funding must be strictly necessary to complete the project as previously approved by the DMCC Board of Directors.

3. City staff provide an accounting to the DMC EDA of any use or approved use of Contingency Funding occurring between the date of this Resolution and the September 2025 meeting of the DMCC Board of Directors.

4. Upon approval by the DMCC Board of Directors to amend the BRT Contingency Criteria at the September 2025 meeting, all use of Contingency Funding following the adoption of such amendment shall comply with the amended BRT Contingency Criteria.

**BE IT FURTHER RESOLVED**, that the Chair or the Treasurer of the DMCC is authorized and directed to transmit this Resolution to the City and to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

## **EXHIBIT A**

## EXHIBIT A



July 16, 2025

**TO:** Destination Medical Center Corporation

**From:** Patrick Seeb, Executive Director, DMC Economic Development Agency  
Cindy Steinhauser, Deputy Administrator, City of Rochester

**RE:** Approving Amendment To The 2025 Five Year Capital Improvement Plan And  
Amending BRT Contingency Use Criteria

### Request of the board of directors:

Recommend authorizing an additional \$21,240,393 of DMC Transit County and DMC Transit State, if required, for approved contingency funding to secure project bids and contracts, in accordance with approved LINK BRT contingency use guidelines. This amount meets the U.S. Federal Transit Administration contingency balance guidelines.

### Background:

A multi-modal mobility strategy for the DMC has been developed and includes the implementation of Link Bus Rapid Transit (BRT), a system which is the priority focus of DMC's mobility infrastructure investments. The Link BRT system is a transformative transportation investment designed to enhance mobility, ease congestion, and support the continued growth of Rochester. By providing a fast, fare-free, and reliable transit option, with 12 stops located along the 2.8 mile long, 2nd St. corridor. Link will serve an estimated 11,000 commuters, residents, businesses, and visitors a day, strengthening downtown Rochester's accessibility and economic vitality.

### Project Update:

#### Bidding Process

The City of Rochester opened bids for Link bid package C which is the architectural package for the 12 stations and the tunnel at the St Marys station. They received one bid, which was higher than the consultant's estimate. The higher bid amount is primarily driven by broader industry trends and project-specific challenges, including:

- **Inflationary Pressures:** Increased material and transportation costs due to general economic inflation have elevated baseline pricing across the construction industry.



## EXHIBIT A



- **Tariff Effects:** Ongoing tariffs on imported construction materials—particularly steel, aluminum, and electrical components—have added to procurement costs. Although the Link project must follow Build America, Buy America requirements, tariffs on imported metals have driven up costs for U.S. producers, who have raised their prices in response to the higher cost of foreign alternatives and increased demand for domestic products.
- **Tight Schedule Constraints:** The accelerated project timeline has reduced scheduling flexibility for the contractor, leading to higher labor and material delivery premiums, increased winter construction activity, and the need for more intensive project management.
- **Labor Shortage:** A constrained labor market, especially in skilled trades, has led to higher subcontractor rates and increased labor-related costs.
- **Limited Contractor Competition:** The level of contractor participation was limited, largely due to the high volume of concurrent project opportunities, which has diminished contractor availability and interest in bidding.

The city does not believe rebidding would result in a lower bid and is recommending proceeding with accepting this bid. This would bring the total project cost to approximately \$173.9 million, which would utilize nearly all of the \$175,493,515 in resources currently allocated to the project and leave insufficient amount in the project contingency. Based upon the project components under contract, the city is requesting an additional allocation of Transit City and Transit State funding in the amount of \$21,240,393. This would bring the total contingency available for the project to \$22,752,072.

### Budget

	2020	2021	2022	2023	2024	2025	2026	2027	Total
Transit City	1,548,800	2,100,800	4,155,534	3,419,779	3,718,569	4,948,292	8,608,226	17,230,059	45,730,059
Transit State	2,323,200	3,151,200	10,388,836	5,129,668	19,317,854	7,422,437	2,456,003	-	50,189,198
GSIA	-	-	2,040,277	9,092,566	-	-	-	-	11,132,843
Water	-	-	-	-	150,000	-	-	-	150,000
Sewer	-	-	-	-	225,000	-	-	-	225,000
Grant	-	-	-	-	-	4,389,640	-	-	4,389,640
Federal	-	200,000	2,100,000	107,000	24,700,000	57,810,168	-	-	84,917,168
	3,872,000	5,452,000	18,684,647	17,749,013	48,111,423	74,570,537	11,064,229	17,230,059	196,733,908

## EXHIBIT A



### Updated Project Budget



Description	Projected Cost. May 2025	Contracted/Current Bid July 2025
Vol A - WTV (actual)	\$ 7,687,422	\$ 7,687,422
Vol B - Civil package (actual)	\$ 21,284,394	\$ 21,952,671
Vol C – Architectural Package (actual)	\$ 57,337,126	\$ 75,339,925
Vol D - Bus Garage (actual)	\$ 5,452,000	\$ 4,592,000
WTV Bathrooms (estimated)	\$ 2,514,114	\$ 2,514,114
Subtotal with Allocated Contingency	\$ 94,257,056	\$ 112,086,132
ROW (actual)	12,256,100	\$ 12,244,300
Vehicles (actual)	\$ 22,560,000	\$ 21,726,404
Prof Service	\$ 27,925,000	\$ 27,925,000
<b>Total project estimate</b>	<b>\$ 157,016,156</b>	<b>\$ 173,981,836</b>
Additional Unallocated Contingency	\$ 18,477,359	\$ 22,752,072
<b>Revised Total Project Estimate</b>	<b>\$ 175,493,515</b>	<b>\$ 196,733,908</b>

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Funding Source	Currently Approved	Amount Requested
DMC County Transit Aid	\$ 22,713,332	\$ 45,730,059
DMC State Transit Aid	\$ 51,965,532	\$ 50,189,198
DMC GSIA	\$ 11,132,843	\$ 11,132,843
City Water Assessment	\$ 150,000	\$ 150,000
City Sewer Assessment	\$ 225,000	\$ 225,000
MNDOT State Grant	\$ 4,389,640	\$ 4,389,640
FTA Small Starts Grant	\$ 84,917,168	\$ 84,917,168
<b>Total project resources</b>	<b>\$ 175,493,515</b>	<b>\$ 196,733,908</b>

#### Fulfilling the DMC Vision, Mission, and/or Goals:

DMC EDA Staff are working in collaboration with the City staff and the consultant team, SRF, with a continued focus on the goal of creating a world-class experience that centers equity of access and foregrounds BRT as a desirable consumer choice.

#### Timeline:

It is anticipated that Link BRT will officially open Q2 of 2027

## EXHIBIT B

Unallocated Contingency Funds may only be used for changes that are **strictly necessary** to complete the project as approved by the DMCC Board of Directors, which due to such condition cannot be reserved for DMCC approval at the regularly scheduled meeting. To qualify, the expenditure must meet at least one of the following criteria:

- **Unforeseen Site Conditions:**

The change addresses unexpected physical conditions discovered during construction that, if not resolved, would delay the project or compromise its safety, integrity, or regulatory compliance.

*Examples include: unknown utility conflicts, discovery of hazardous materials, or the need for additional soil stabilization, modifications to the pedestrian tunnel, stations and transit center from submittal reviews.*

- **Required Modifications to Adjacent Infrastructure or Property:**

The change is needed to adjust to existing conditions on nearby public infrastructure or private property and is essential to maintain the project's intended function or design.

*Examples include: encountering a neighboring building foundation closer than expected, needing to relocate a utility connection point, or modifying a tie-in due to an adjacent ongoing project.*

- **Systems, Testing and Integration:**

The change is required to adjust the implementation and integration.

*Examples of this would be electrical, lighting, technology and HVAC during the commissioning and testing phases.*