

Item #2C:
Report On Infrastructure Funding
Oakwood Road Bridge Replacement Funding



Memorandum

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Date: May 6, 2015

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To: Dave Lothspeich

Address:

From: Joe Chiczewski

Subject: 2014 Street Program Budgeting and Oakwood Road Bridge Construction Award

Project Number: 04-026-018 BG 444 and 12-459 (Phase 3 Pending)

Dave:

In preparation for our meeting on Friday I am providing the following summary (please let me know if you would like this in a different format for the board review)

1) **Oakwood Road Bridge –**

This project was bid April 25 – due to the federal funding this was on the IDOT letting

4 Bids were received with the low bid at \$668,976 by Martam Construction out of Elgin (note the Next Lowest Bid was \$696,600). ESI's Opinion of Construction Cost was \$435,000 so the difference was quite significant at \$233,976. ESI had used the higher end of the range of unit costs from last year's IDOT bid information.

You may recall that at our meeting on April 16 I had noted some concerns about bid prices this year coming in higher than in recent years. Still this difference is more than we discussed. In general, the fact that there were 4 bidders and the 2 lowest bidders were within about 4% of each other indicates that these plans were reasonable and the bids were reasonable given the market conditions. We also have known Martam to be an experienced contractor.

We have followed up with various contractors and have received a call from the apparent low bidder and have worked to better understand the difference in the estimate from the actual bids. We cannot look at the detailed line items on the bidding due to the IDOT limitations. Major items

do not appear to show any particular area of a significant discrepancy but rather overall higher prices. Several issues stand out for this difference:

1. Prices for materials are up 15% to 20% this spring from last fall and the amount of work is allowing contractor bid prices to rise.
2. Prices for work are rising, particularly in the northern suburbs due to all of the Tollway work on I-90 (the Tollway is planning on \$1.4 billion of work this summer which would be their largest program ever with most of that concentrated on I-90)
3. The required schedule is relatively tight (simply put to start this work after school is out and have the road open to traffic by the time school begins requires a tight schedule – in recent past years with so little work contractors were often discounting this risk factor to keep busy – with more work this year this risk factor seems to be priced in to the project
4. The required construction staging is challenging. The staging is tight and the room for work is extremely limited. The open lane will only be 8.5'+. During the study phase closing the road was considered but there is very limited access to the area (access is from Buffalo Grove and requires keeping a gated road open). While the contractor believes they could save significant money and time if they could close the bridge this would not appear to be an option.
5. The proximity of overhead electrical lines is a concern for driving the piles at one of the abutments. This may have added to the cost in order to protect/relocate the lines and due to risk factors for possible delays and/or slow production. There may be options to value engineer this with the contractor but we cannot do that until the bid is awarded.

In considering the potential to get better prices with re-bidding it is fair to ask “what would change?” - absent a significant change bids generally won't go down– that is if we know that market conditions will change considerably (such as getting more bidders) or if can we revise something on the plans that would make a significant difference. The answer in this case to both of these questions is no.

It is also important to recognize the need for this improvement – this existing bridge is a fracture critical structure. The type of structure is also one that is very difficult to see incremental deterioration – that is failure can come about rather abruptly which is why more frequent inspections have been taking place.

Typically when bids come in higher IDOT leaves the full additional cost to be borne by the local agency and then also leaves the award approval up to that local agency. In this case we investigated the potential for increasing the federal dollars such that the total bid cost would be covered by the HBIP program with 80% paid with federal dollars. Some of our recent correspondence is shown below. The bottom line is that IDOT has committed to processing this increase in funding so the total net addition to the Village is not \$233,976 (bid to estimate difference) but rather \$46,976 (20%) (this may also be indicative of IDOT's understanding of current market conditions)

Based on this available information we recommend moving forward with a recommendation for award by the Village subject to the additional IDOT (federal) funding.

2) 2014 Street Program –

A more detailed letter and cost estimate is attached. Based on the preliminary allocated funding and guidelines for the route locations to be considered we have prepared these preliminary cost estimates. We recommend that the Village use the allotted MFT and Village General funds to provide the necessary maintenance on N. Krueger Road and the remaining portion of Checker Road. In addition, it is recommended that pavement striping and patching be provided for Stemple Parking Lot, Archer Parking Lot and Archer Road. ESI recommends that the aforementioned roadways and parking lots are bid together such that bid unit pricing reflects the combined higher quantities. Furthermore, ESI recommends that Indian Creek Road be included in the bid package as a Bid Alternative. Should the received bids be advantageous to the Village, this will provide the Village the option to provide maintenance on another roadway utilizing the favorable bid prices.

Additionally, while Cuba Road was evaluated we recommend waiting until future years to perform maintenance on Cuba Road. There is a pending application for Highway Safety Improvement Program funding (HSIP) for Cuba Road which would allow much of this work to be completed using these federal dollars at a 90% federal / 10% Village split. Given the accident history on Cuba Road with deaths we believe that there is a reasonable likelihood that Cuba Road will be eligible for such funding with a more significant improvement (shoulder widening and vertical profile / sight distance adjustments as well as other potential improvements including general pavement condition). If this application is successful then the design and construction would be under this funding process and would be in subsequent years (planned for 2015 or 2016). While the overall costs for a Cuba Road HSIP improvement would then be higher (for this more significant improvement), the Village's portion would likely still be much less – thereby stretching Village dollars further while gaining a more significant improvement. If this funding application is not successful the work on Cuba Road would then still be able to occur as shown in this summary using the Village's current program in 2015

In preparing these cost estimates for the roadway maintenance program we considered some further updated information on pricing as well. Our conversations with local contractors leads us to believe that prices have gone up on HMA about 10%-15% (or more) this year due to several factors. First, raw material prices are rising – for example fuel prices are near the all time high. Second, apparently due to the harsh winter a lot of private businesses are looking to do significant parking lot paving this year. Third, many villages / public agencies are also increasing spending this year on paving maintenance based on needs related to the harsh winter / deferred maintenance in the economic downturn and an improved economic outlook. Third, a lot of companies don't have the machines and man power right now for all the work out there because of the sell off's and lay-offs over the past few years. And fourth, Curran sold their northern plant and Peter Baker bought it. We understand this reflects Curran's departure from this local market. This will further limit competition.

While this type of swing in pricing is fairly typical during economic recoveries, especially in the construction industry, these aforementioned factors that may make this change more significant as this year progresses so we continue to monitor bid prices.

In recent years due to the economic conditions many contractor's prices held steady or even declined. This is apparently changing. We believe that absent a significant event, the combination of several factors will cause pricing to be higher this year than in past years. And that trend is likely to continue into the future. On the positive of pricing, since this year's Village maintenance program includes a significant amount of work on "thoroughfares" these longer

straighter stretches of roadway paving will allow for increased production level for the contractors so even though there is still a significant portion of the work being done in small , lower production areas (Checker Road, Archer Lot, Stemple Lot) the overall work is generally more conducive to better production rates than in some recent Village roadway maintenance programs.

Please note that for budgeting purposes we have used the information we have available for construction pricing and a percentage of construction costs for planning, design and construction engineering. If the program determinations are made with limited changes these engineering costs will be lower (simply put if we need to review more alternatives these costs the costs will be more). We can further discuss these costing issues and some recent trends and comparisons as well at our meeting.

Please let me know if you have further questions prior to our meeting

Thanks
Joe

Attachments

The following is a copy of recent email correspondence with IDOT on Oakwood Road Bridge Award

From: Riddle, Charles F [<mailto:Charles.Riddle@illinois.gov>]
Sent: Tuesday, May 06, 2014 8:45 AM
To: Mark Reznicek
Cc: Joe Chiczewski
Subject: RE: Item 118, April 25, 2014 Letting, Long Grove, Oakwood Road, 09-00005-00-BR, Contract No. 61A24

Just their concurrence on the bid/award...

From: Mark Reznicek [<mailto:mreznicek@esiltd.com>]
Sent: Tuesday, May 06, 2014 8:44 AM
To: Riddle, Charles F
Cc: Joe Chiczewski
Subject: RE: Item 118, April 25, 2014 Letting, Long Grove, Oakwood Road, 09-00005-00-BR, Contract No. 61A24

Thanks Chad. Is there anything that you need from the Village to formalize the increase?

Mark A. Reznicek, P.E.
Senior Project Manager
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From: Riddle, Charles F [<mailto:Charles.Riddle@Illinois.gov>]
Sent: Tuesday, May 06, 2014 8:24 AM
To: Mark Reznicek; Herman, David G.
Cc: Aqueel, Fawad F; Rozwadowski, Gary
Subject: RE: Item 118, April 25, 2014 Letting, Long Grove, Oakwood Road, 09-00005-00-BR, Contract No. 61A24

As discussed, we will agree to cover the increase in the eligible costs at 80/20.

From: Mark Reznicek [<mailto:mreznicek@esiltd.com>]
Sent: Monday, May 05, 2014 2:09 PM
To: Herman, David G.
Cc: Aqueel, Fawad F; Rozwadowski, Gary; Riddle, Charles F
Subject: RE: Item 118, April 25, 2014 Letting, Long Grove, Oakwood Road, 09-00005-00-BR, Contract No. 61A24

The village would like to proceed with awarding provided that IDOT increases the funding for the bridge so the entire bid would be covered under the HBIP 80/20 split. Last week, ESI staff discussed this subject with Chad Riddle and he seemed to be agreeable to this. ESI is investigating what action, if any, is required of the Village to help secure the additional funding.

SUBJECT TO CONFIRMATION OF THIS ADDITIONAL FUNDING, this will be on the Village Board Agenda on May 13th with a recommendation to the board for approval to move forward with the project.

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From: Herman, David G. [<mailto:David.Herman@Illinois.gov>]
Sent: Monday, May 05, 2014 11:17 AM
To: Mark Reznicek

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Cc: Aqueel, Fawad F; Rozwadowski, Gary

Subject: Item 118, April 25, 2014 Letting, Long Grove, Oakwood Road, 09-00005-00-BR, Contract No. 61A24

Mark:

Has the village decided how they wish to proceed with the subject project? Springfield asked about it this morning.

Thanks,

David Herman

Bureau of Local Roads And Streets

Illinois Department of Transportation - District 1

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