



MEMORANDUM

TO: Mayor Laurel Lunt Prussing and Members of the City Council
FROM: William R. Gray, P.E., Public Works Director
DATE: December 8, 2016
RE: MCORE Project 1 Green Street Improvements Funding to Award Contract

Introduction

On November 4th, the Illinois Department of Transportation (IDOT) conducted a letting for the subject project and two bidders responded. The low bidder was Duce Construction with a bid amount of \$8,878,600.00. The engineer's estimate was \$8,070,950.70. The low bid was 10% or \$807,649.30 over the engineer's estimate.

Council may recall that when this project was let in July 2016, the bids came in greater than 10% over the engineer's estimate. The agencies and consultant made changes to the plans and specifications in an effort to reduce costs to be more in line with the project budget. This action was set in motion in anticipation of a more favorable November 4, 2016 IDOT letting outcome.

After the November letting results were known, the MCORE agencies (City of Champaign, University of Illinois, Champaign-Urbana Mass Transit District and the City of Urbana) met on several occasions, along with the consultant, to reduce the project scope to fit the project budget. Although the agencies did find construction reductions and cuts to meet the budget, IDOT and the FHWA did not approve such reductions as those reductions were not compliant with procurement laws. As a result of this determination, the agencies recommended another suggestion to provide the revenues necessary to award this contract.

The other option considered, but rejected, was to redesign, cut components out of the project to meet the project budget of \$8M and rebid at the next available IDOT schedule bid letting (April 28, 2017). The agencies believed the drastic cuts would greatly undermine the safety, efficiency, and long-term integrity of the project. Also, the agencies learned that the higher labor costs and higher material costs associated with the April 28, 2017 IDOT letting, along with the loss of four months of construction time, would further diminish the project as proposed to the public and to the agencies.

Fiscal Impact

In order to proceed with the Green Street project (from Wright Street to Busey Avenue), the agencies have agreed to contribute the additional \$800,000 necessary to award this project. What is agreed to is the Champaign-Urbana Mass Transit District will contribute an additional \$200,000; the University of Illinois will contribute an additional \$200,000; and the City of Urbana will contribute an additional \$400,000. The City has identified an additional \$400,000 that was being held as a contingency in the event there were change orders that occurred during the course of construction. The City's contributions, of \$800,000, will come from General Operating Fund reserves (\$800,000). With other adjustments related to the timing of receipt of revenues, this fund will have a

projected negative fund balance of approximately \$250,000 at the end of FY2017. However, due to the timing of expenditures, the fund is not expected to actually have a cash deficit. These funds will not be expended until the 2018 construction year. However, they should be reserved now, when we sign a contract that obligates the City to this project. See the attached ordinance and exhibit.

The transfer of \$800,000 from the General Operating Fund will reduce projected fund balance at end of FY2017 to \$8,907,269, which is 27.43% of recurring expenditures. Adjusting for a reserve for computer equipment and funds that could potentially be required to be repaid depending upon the outcome of the hospital property tax issue, the remaining fund balance is at 14.62% of expenditures, which is slightly lower than the 15% policy limit adopted by the City Council. The Finance Director recommends replenishing the reserve as part of the process of developing a balanced budget for FY2018.

Recommendation

It is recommended that An Ordinance Revising the Annual Budget Ordinance for FY2016/17 (MCORE Project 1 Green Street Improvements) be approved.

If this ordinance is approved and the project proceeds, the agency intergovernmental agreement will need to be amended. The City of Champaign is the lead agency for the MCORE Project.

ORDINANCE NO. 2016-12-119

**AN ORDINANCE REVISING THE
ANNUAL BUDGET ORDINANCE FOR FY2016/17
(MCORE Project 1 Green Street Improvements)**

WHEREAS, the Annual Budget Ordinance of and for the City of Urbana, Champaign County, Illinois, for the fiscal year beginning July 1, 2016, and ending June 30, 2017, (the “Annual Budget Ordinance”) has been duly adopted according to Sections 8-2-9.1 et seq. of the Illinois Municipal Code (the “Municipal Code”) and Division 2, entitled “Budget”, of Article VI, entitled “Finances and Purchases”, of Chapter 2, entitled “Administration”, of the Code of Ordinances, City of Urbana, Illinois (the “City Code”); and

WHEREAS, the City Council of the said City of Urbana finds it necessary to revise said Annual Budget Ordinance by deleting, adding to, changing or creating sub-classes within object classes and object classes themselves; and

WHEREAS, funds are available to effectuate the purpose of such revision; and

WHEREAS, such revision is not one that may be made by the Budget Director under the authority so delegated to the Budget Director pursuant to section 8-2-9.6 of the Municipal Code and section 2-133 of the City Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Annual Budget for FY2016/17, as revised, is hereby revised to provide as outlined in the attached Exhibit A.

Section 2. This Ordinance shall be in full force and effect from and after its passage and publication in accordance with Section 1-2-4 of the Illinois Municipal Code.

This Ordinance is hereby passed by the affirmative vote, the “ayes” and “nays” being called, of two-thirds of the corporate authorities then holding office (6 of 8 votes) of the City of Urbana, Illinois, at a meeting of the corporate authorities.

PASSED by the City Council this _____ day of _____, _____.

AYES:

NAYS: _____

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Laurel Lunt Prussing, Mayor

Budget Amendment 2016/17 - Exhibit A

	<u>Current Budget</u>	<u>Revised Budget</u>	<u>Difference</u>	<u>Reason</u>
<u>General Operating Fund</u>				
<u>Expenditures</u>				
095-1-1300-3050 Tfr to Cap Repl & Impr (A09)	1,662,254	2,462,254	800,000	fund MCORE project cost increase
<u>Total Expenditures</u>	<u>35,026,576</u>	<u>35,826,576</u>	<u>800,000</u>	
<u>Ending Fund Balance (estimated)</u>	<u>9,707,269</u>	<u>8,907,269</u>	<u>(800,000)</u>	updated balance
Assigned - Computer Equipment	<u>159,499</u>	<u>159,499</u>	<u>-</u>	
Unassigned Fund Balance	<u>9,547,770</u>	<u>8,747,770</u>	<u>(800,000)</u>	