



MEMO

TO: Dr. Koultourides and Member of Council

FROM: Dustin Anderson

SUBJECT: INDOT LPA

DATE: April 1, 2019

Construction bids were opened in Indianapolis on the morning of February 20th, and it went very well for the Town. The bids are detailed in the table below:

| | Location | Bid |
|--------------------|----------------------|-----------------|
| Walsh Construction | Crown Point, IN | \$20,538,846.45 |
| Superior | Portage, IN | \$20,597,027.68 |
| Paschen Nielsen | Chicago, IL | \$23,018,722.92 |
| Dunnet Bay | Glendale Heights, IL | \$23,308,616.95 |
| Rieth Riley | Gary, IN | \$23,319,844.96 |
| ICC Group | Elburn, IL | \$23,970,321.00 |

As you can see, the projected costs are significantly less than what all our engineers originally projected. In followed up conversations with our design engineers about why this was, their explanation was that the mandated use of T-walls by the railroad and the intense coordination with Canadian National necessary for the construction of the shoo-fly would have significant amount of risk baked into bid responses. This turned out not to be the case.

Prior to bid opening, our funding plan looked like this:

| Construction Funding Model - Original | | | | | |
|---------------------------------------|-----------------|------------------|--------------------|--------------------------|-----------------|
| | Construction | RR Force Account | Utility Relocation | Construction Engineering | Total |
| NIRPC | \$9,600,000.00 | | | | \$9,600,000.00 |
| INDOT | \$9,000,000.00 | | | | \$9,000,000.00 |
| RDA | \$6,000,000.00 | | | | \$6,000,000.00 |
| Town | \$9,400,000.00 | \$2,000,000.00 | \$1,600,000.00 | \$2,909,270.00 | \$15,909,270.00 |
| Total | \$34,000,000.00 | \$2,000,000.00 | \$1,600,000.00 | \$2,909,270.00 | \$40,509,270.00 |

We were looking at a \$34.00 million construction project with significant associated costs to facilitate the construction. These other costs include the railroad force account labor that is required to be paid to Canadian Nation as they lay the ballast and set the track for the shoo-fly, the relocation of all the fiber in the railroad right-of-way, and the construction engineering and inspection.



After the bids were opened, a meeting was quickly arranged with NIRPC, INDOT, and the Town to discuss revised responsibilities among the funding partners.

At that meeting the Town was told that NIRPC's contribution would be reduced and INDOT's increased for a total state/federal contribution of \$16.43 million with a local contribution of \$4.11 million (which would be from the RDA grant), making this something similar to an 80/20 match that would be in place for a typical project.

It's "something similar" because there were still costs that would normally be included in the total cost of construction that the Town was solely responsible for – including the railroad force account labor, utility relocation, and construction engineering.

The Town advocated strenuously for these costs to be included into the cost of construction as a legitimate project expense. The reasoning was that these were only local-only expenses due to the fact that all funding partners had exhausted their potential contributions. In this revised funding scenario, total NIRPC and INDOT funding decreased by \$2.17 million. We were informed that from a procedural standpoint, the utilities and construction engineering are ineligible expenses

In any other circumstance, railroad force account labor should and would be included in the typical construction cost. Why should it be any different, now that the opportunity for it to be included is available?

This argument seemed to have prevailed.

In response to that meeting, we received word that INDOT agreed to commit 80% of the cost of the force account labor for the project. The remaining 20% would come from the balance of the RDA funds that will be awarded to the Town. The most recent funding model is illustrated in the following table:

| | Construction | RR Force Account | Utility Relocation | Construction Engineering | Total |
|-------|-----------------|------------------|--------------------|--------------------------|-----------------|
| NIRPC | \$6,900,000.00 | | | | \$6,900,000.00 |
| INDOT | \$9,531,076.80 | \$1,600,000.00 | | | \$11,131,076.80 |
| RDA | \$4,107,769.20 | \$400,000.00 | | | \$4,507,769.20 |
| Town | \$0.00 | \$0.00 | \$1,600,000.00 | \$2,909,270.00 | \$4,509,270.00 |
| Total | \$20,538,846.00 | \$2,000,000.00 | \$1,600,000.00 | \$2,909,270.00 | \$27,048,116.00 |

In this projection, the Town does not need to issue new debt to finance the grade separation and intersection realignment. There has been significant work completed to facilitate the then-projected need for financing. It is estimated that between Umbaugh and Barnes and Thornburg, fees of early \$100,000 have been accrued that would otherwise be included in the costs of issuance.

At this moment, our total projected contribution is \$4.51 million.

It was initially hoped that the Town would securing confirmation that the revised grant agreement from the RDA would be given to the Town in time for Council to consider at this meeting. Having the revised grant agreement that reduces the RDA contribution from \$6.00 million to \$4.51 million would allow enough time for the agreement to be processed and a check cut to the Town that would then in turn be paid to INDOT for the local portion of the project funds. This up-front funding model has long been identified as the preferred – but not only – model for financial collaboration between the Town and RDA.



The Town was notified on Friday March 29th that due to travel and competing priorities, the revised document will not be done in time to allow for an up-front financing. Staff has planned appropriately for this contingency. The Town has authorized enough existing appropriations and has adequate funds to pay the local-contribution of the construction costs. The RDA will reimburse the Town for the INDOT construction contribution and in turn pay for costs associated as-incurred – which include the construction engineering and utility relocations.

While the timing of the RDA financing will change, the magnitude and cost share will not vary. The funding model for the construction phase of the project will continue to be projected as illustrated in the previous table.

The Town will be reimbursed the \$4,507,769.20 by the RDA and will expend the \$4,509,270.00 as incurred over the course of the project.

The Town will be hosting a construction meeting on Thursday April 4th with Walsh Construction to begin outlining the construction phasing plan, confirm a Notice-to-Proceed date (now possible with the clarification from the RDA, and to identify a mobilization date.

Recommendation

By motion and roll-call vote approve the attached INDOT LPA agreement and authorize the payment of construction and railroad force account labor costs as invoiced by INDOT.