

COUNCIL ACTION FORM

SUBJECT: 2020/21 & 2021/22 INTELLIGENT TRANSPORTATION SYSTEM PROGRAM (PHASES 1 AND 2)

BACKGROUND:

This program provides for the construction of fiber optic communication and technology platform for Phases 1 and 2 of the Intelligent Transportation Systems (ITS) Master Plan. The project will modernize the traffic signal system by providing a high-bandwidth communication system that will integrate connected signals. It will allow the City to leverage technologies such as traffic adaptive and real-time video, while significantly increasing the reliability and resolution of available transportation data.

Because the project funding sources include Iowa Department of Transportation (IDOT) Iowa Clean Air Attainment Program (ICAAP) funds, the project must follow IDOT development policies and was let by the IDOT. On June 21st, 2022, bids for the project were received as follows:

Bidder	Bid Amount
Engineer's Estimate	\$3,195,947.00
Van Maanen Electric, Inc.	\$3,800,582.00
K & W Electric, Inc.	\$5,196,625.00

The table below shows the overall expenses using low bid:

Expenses	Combined
Design	\$397,365
Construction	\$3,800,582
Administration	\$150,000
Total	\$4,347,947

The table below shows the revenues for this project under the current budget:

Revenues	FY 20/21	FY 21/22	Combined
Road Use Tax Fund	\$225,820	\$197,600	\$423,420
G.O. Bonds	\$141,900	\$160,400	\$302,300
Accessibility Enhancement*	\$235,100	\$206,000	\$441,100
ICAAP	\$1,176,518	\$1,400,000	\$2,576,518
Total			\$3,743,338

**The project will affect several signals needing ADA upgrades. The funds from this program are approximately equally split between Road Use Tax Funds and Local Option Sales Tax.*

The low bid received was approximately \$600,000 over the engineer's estimate for this project. This is due to the pricing volatility of conduit and wiring from the inflation and supply chain issues affecting the construction market. **The resulting funding shortfall is \$604,609.**

OPTIONS:

Since the June 28th, 2022, report of bids, staff has worked with the IDOT and Finance Department to gather information to develop potential funding options for the project.

A. USE LOCAL FUNDING FROM THE FY 22/23 ITS PROGRAM

City Council could direct staff to use the local funding budgeted for Phase 3 of the ITS program to make up the shortfall for Phases 1 & 2. FY 22/23 has \$462,740 from Road Use Tax Fund (RUTF) and \$452,560 from G.O. Bonds. That totals \$915,300 in local funding. With \$604,609 to cover the shortfall; there would be approximately \$310,691 remaining that could be used as contingency or as savings for future years of the ITS program. If City Council chooses to use these funds, staff would recommend reprogramming the ITS Program such that Phase 3 is moved to FY 23/24. That would mean the rest of the phases would shift back at least one fiscal year (depending on future funding availability). This would allow staff time to assess the increases in construction costs and adjust the CIP program's budget accordingly. **Staff feels this is the most straightforward approach to funding this shortfall by using resources already allocated to this program.**

It should be noted that the IDOT ICAAP agreements give the City two years from October 1st in the year the grant was awarded for completing construction. The deadline for Phase 1 is 10/1/2022 for Phase 2 is 10/1/2023. The City would need to request an extension within sixty (60) days before any of the expiration dates, if needed. Staff can do this administratively and does not require City Council to take any action.

B. USE UNOBLIGATED GENERAL OBLIGATION BONDS

The current balance of unobligated bonds is \$624,092. If City Council chooses to solely use this funding source to make up the shortfall of \$604,609, only \$19,483 will remain. The unobligated balance is a rolling amount that increases when bond savings from completed projects and decreases when used to offset overages such as higher bid prices or change orders. Typically, these unobligated funds are used for street projects, which still may be needed as bidding and construction continues for the 2022 season. **Therefore, staff does not recommend using these funds for the ITS program.**

C. USE ROAD USE TAX FUND (RUTF) SAVINGS/FUND BALANCE

As of 6/30/2022, the approximate available balance of the RUTF is \$7,500,000. It should be noted that Finance is still finalizing expenses from FY 2021/22, and that balance is subject to change. If City Council chooses to use the available balance of the RUTF solely, the \$604,609 can likely come from the current estimated balance. It should be noted that there are no Traffic Engineering CIP projects with significant RUTF savings that could be used. **Staff does not recommend this option as using unobligated balances of any fund of the City should include a careful review of all priorities affecting those funds and appears not to be warranted in this case.**

D. USE FUNDS FROM THE ACCESSIBILITY ENHANCEMENT PROGRAM

At the end of the Fiscal Year 2021/22 in the Accessibility Enhancement Program, there is \$281,489 from Local Option Sales Tax (LOST) and \$201,744 from RUTF. The total is \$483,233. This program has accumulated funding in anticipation of ADA upgrades associated with these phases of the ITS program. However, if City Council chose to use the total amount available, it would still leave a shortfall. Also, that would mean that there would be no additional funds for ADA improvements until FY 2023/24. **Therefore, staff would not recommend using the funds for FY 2023/24 Accessibility Enhancement Program.**

E. RE-BID PROJECT AND APPLY FOR U-STEP FUNDS

Staff reached out to District 1 at the IDOT regarding any potential grant funding the City could use in addition to the Iowa Clean Air Attainment Program (ICAAP) funds. The only program that may apply is the Urban-State Traffic Engineering Program (U-STEP). The issue is that it is against the IDOT's administrative rules to award U-STEP funds retroactively after a project has been let. The grant program allows a maximum per project amount of \$400,000 for linear improvements. The grant also requires a 20% local match on all funds awarded to the project.

The City could try to re-bid Phases 1 & 2 while applying for a maximum U-STEP grant of \$400,000. However, it is unlikely that these additional grant funds will ensure that the project is fully funded, Given that the low bid was approximately \$3.8M and the next bidder was \$5.2M, Staff would expect the new low bid amount to increase significantly now that the bid information is publicly available to all potential bidders. **Staff would not recommend this option given the current bidding environment due to the likely risk of getting significantly higher bids.**

F. RE-BID THE PROJECT WITH A REDUCED SCOPE AND REQUEST U-STEP FUNDS

This option would be like Option 5, with the main difference being that staff and the consultant could look for areas to reduce the project scope under Phases 1 & 2 and

reprogram them into future phases. Staff would again apply for \$400,000 in U-STEP funding under this option. However, it should be noted that with a reduction in scope, the Iowa DOT may reduce the amount of ICAAP funds that have been awarded to this project. This is because the grant application was scored based on the pollution reduction benefits of the full scope. Until the City can work on a redesign and submit it to the DOT for review and comments, it is difficult to say what grant funding would be lost. Also, the redesign would likely incur additional consultant fees. **Therefore, staff would not recommend this option considering the high likelihood that the City could lose existing grant funds and have increased consultant fees and bid prices for a reduced scope project.**

ALTERNATIVES:

1. Award the project to Van Maanen Electric, Inc. of Newton, Iowa in the amount of \$3,800,582.00, thereby directing staff to:
 - a. Use the local funding from FY 22/23 ITS Program to cover the funding shortfall of Phases 1 & 2.
 - b. Direct staff to reprogram Phases 3 to 6 in the FY 2024-2029 Capital Improvements Plan.
2. Award the project to Van Maanen Electric, Inc. of Newton, Iowa in the amount of \$3,800,582.00, thereby directing staff to:
 - a. Direct staff to fund to project using a combination of funding options shown above.
 - b. Direct staff to reprogram Phases 3 to 6 in the FY 2024-2029 Capital Improvements Plan.
3. Re-bid the ITS Phases 1 & 2 and request additional U-STEP funds from the Iowa DOT prior to the new letting date.
4. Do not award Phases 1 & 2 of the ITS program, and direct staff to reprogram the ITS program Phases 1 to 6 in the FY 2024-2029 Capital Improvements Plan

MANAGER'S RECOMMENDED ACTION:

Given the state of the current construction market, it is unlikely to achieve lower bid prices by re-bidding the project. Also, a reduction in scope will likely come with a reduction in ICAAP funds, given the project scope at the time the two grants were approved.

It is the opinion of staff that the ITS program budget should be the first resource area to cover this shortfall. Taking funds from other fund balances or City programs may have unintended consequences and delay other needed improvements that utilize those funds. **Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above**

If City Council agrees with staff and chooses Alternative #1, the total project budget would be as follows:

<u>Revenues</u>	<u>Subtotals</u>	<u>Expenses</u>	<u>Subtotals</u>
RUTF	\$423,420	Design	\$397,365
G.O. Bonds	\$302,300	Construction	\$3,800,582
Accessibility Enhancement ¹	\$441,100	Administration	\$150,000
ICAAP	\$2,576,518	Total	\$4,347,947
FY 22/23 ITS Local Funds ²	\$915,300		
Total	\$4,658,638	Contingency	\$310,691 [7.1%]

1: 50% RUTF; 50% LOST

2: \$462,740 from RUTF; \$452,560 from G.O. Bonds