

Unbudgeted Expenses in the CIP

Finance and Budget Committee



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Classifications of Unbudgeted Expenses

- Project costs higher than budgeted at the time of contract award
- State and federally funded transportation projects
- Change orders during construction
- Emergency repair projects
- Non-emergency unbudgeted projects

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High cost overruns are most likely to occur on large, complex projects.

Review by Finance and Budget Committee

Depending on the timing of the overrun (assuming that it ultimately needs to go to City Council for approval), adding a review by the Finance and Budget Committee could cause a 4-8 week pause in the schedule.

High Cost at Contract Award

What causes the difference between budget price and actual price?

- Scope increases during design
- Market forces (material and labor costs)
- Availability of contractors

Impact of Delay in Contract Award

Contractors currently hold their bids for 60 days. After that, they can claim price increases or otherwise refuse to honor their bid.

Example Project Schedule (Water Main)

Step	Schedule (Typical)	Schedule (Over Budget)
Budget Price Developed	May - August (Previous Year)	
Survey	Summer (Previous Year)	
Design	November - February	
Advertise for Bid	March	
Bid Opening	April 9	
Next Finance and Budget Meeting for Review	n/a	May 14
Next City Council Meeting	April 15	May 28 (6-week delay)
Execute Contracts/Set up Purchase Order	May 15 (1 month)	June 28 (1 month)
Install Water Main/ Resurface Streets	Oct 15 - Nov 15 (5 - 6 months)	Nov 28 - Dec 28 (5 - 6 months)
Asphalt Plant Shutdown	November 30 - April 1 (weather dependent)	
Substantial Completion	November 15	April 30

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For delays outside the contractor's control, the City pays extra costs.

This would include:

- Temporary patching
- Temporary traffic control
- Demobilization
- Winter site maintenance
- Remobilization in spring
- Labor and materials price increases

Estimate \$100,000 - \$300,000

High Cost at Contract Award - State and Federally Funded Transportation Contracts

Includes grants such as:

- Illinois Transportation Enhancement Program (ITEP)
- Surface Transportation Program (STP and STP-Bridge)
- Congestion Mitigation of Air Quality (CMAQ)

For these projects, the City manages the consulting services contracts and bills IDOT for the IDOT share based on the actual grants. IDOT bids and manages the construction contracts and bills the City for the City share.

High Cost at Contract Award - State and Federally Funded Transportation Contracts

What causes the difference between budget price and actual price?

Causes are similar to those on City-bid projects.

Impacts of schedule delay?

In the case of a significant overrun, the City has approximately one week to communicate a go/no-go decision. If the project is not awarded, it will either be:

- Project will need to be re-bid
- Construction delayed 1-year minimum
- Additional engineering costs
 - additional steps with IDOT
 - labor cost escalations from delay
- Potentially jeopardize grant funding
- Typically construction cost increases upon rebidding the same work

High Cost at Contract Award - State and Federally Funded Transportation Contracts

Typical Project Schedule:

Step	Duration
Phase I Planning (Develop PDR)	12 months
IDOT Review	12 - 18 months
Phase II Design	9 months
IDOT Review / Bidding through IDOT Letting (Including City Resolution for Approval Authority)	3 - 4 months
Confirm City's Agreement to Award	1 week
Sub-total	36 - 42 months

Estimated Cost = \$500,000 - \$1,500,000

High Cost at Contract Award - State and Federally Funded Transportation Contracts

With Prompt Approval to Proceed

Step	Duration
Phase III Construction	9 - 24 months
Project Closeout	3 - 6 years
Sub-Total	4 - 8 years

**Construction Cost (City Share Only)
= \$1,500,000 - \$3,000,000**

Without Prompt Approval to Proceed

Step	Duration
Reschedule Bid	6 - 12 months
Phase III Construction	9 - 24 months
Project Closeout	3 - 6 years
Sub-Total	5 - 9 years

Additional Costs (Estimated):

Consulting (minimum) 100,000

Annual Escalation (8%) 240,000

Sub-Total \$340,000

Change Orders During Construction

Major Causes of Change Orders:

- Design error/omission
- Modification to scope of work
- Supply chain / workforce / acts of God
- **Unforeseen conditions**

Unforeseen conditions occur regularly when doing underground construction or opening walls / ceilings in facilities.

Decisions need to be made quickly to avoid unintended consequences.

Change Orders During Construction

Examples:

36" Transmission Main Installation - \$163,000

- When excavating for new water main, a number undocumented utilities were discovered in a downtown intersection.
- With a crew and equipment standing by, a decision had to be made on how to proceed, without knowing the final cost of the options
- Resolution - additional fittings added

36"/42" Water Plant Intake - \$155,000

- When excavating for shore installation of underground infrastructure, 10ft wide x 55 ft long x 8 ft thick concrete slab was found buried 5' deep
- Sheet pile to prevent trench collapse could not be installed
- Resolution: 10 ft of the 55 ft was removed

Emergency Repair Projects

Emergency repairs are unbudgeted repairs of critical infrastructure. The more deteriorated the infrastructure, the more frequently that emergency repairs are required.

Typical Process for Addressing:

- City Manager notifies City Council of critical failure
- Staff begins defining scope and entering into contracts to mitigate impacts and repair damage
- City Council approves resolution and/or contracts to cover repair costs
- Work is implemented

Note: When work is started, the full scope of work to repair and the associated cost is almost never known.

Emergency Repair Project Examples

Emergency	Failure	Implications of Failure	Vendors
Lincoln Street Bridge (ongoing)	Structural deterioration in bridge deck support beams	IDOT required emergency repair within 30 days or bridge would be closed.	2
Civic Center Boiler Building Stairs (2023)	Deterioration of wood stairs to the point of collapse of individual stair	Tenant would be relocated indefinitely with little to no notice	1
Water Plant Flooding (2023)	Power outage repair by ComEd cause cascade systems failure resulting in flood and electrical failures	The SCADA system controlling filtration went down, causing flooding in the plant and damaging electrical equipment powering key parts of the water treatment process	5
Fire Station 4 Roof (2021)	Roof failure during icing event resulted in significant water leaking and mold growth	Fire station was uninhabitable. Staging emergency response from alternate locations doubled response times to SW Evanston	8
Water Plant Switchgear Fire (2011)	Fire in main switchgear, damaged entire switchgear and melted roof above.	Unable to get electricity in water plant. All power supplied via emergency generators/engines powered by one 2" natural gas line.	5

Non-Emergency, Unbudgeted Projects

These type of projects are generally developed to meet a specific community need. Without knowing what the driver is, it is not possible to comment on the impact of delay.

Recommendations for Budget Management

1. There is a significant impact to bringing many types of unbudgeted expenses and cost overruns to the F&B Committee prior to moving forward. The 4-8 week delay in approval would result in additional expenses and unintended consequences for most types of unbudgeted expenses .
1. When unbudgeted expenses occur over a certain cost threshold, staff should identify savings from delay or cancellation of other expenditures within the same fund. This would be reported at the time of approval of the expenses.
1. If savings cannot be identified within the same fund, the item would be brought to the attention of F&B Committee along with recommendations for funding, even if this occurs following the expenditure.