

January 21, 2022

Mr. David De Angelis  
Village Manager  
Village of Elm Grove  
13600 Juneau Boulevard  
Elm Grove, WI 53122-0906

Re: Gebhardt Road and Highland Drive Improvements  
Potential Impacts from Bidding Schedule Delays

Dear Mr. De Angelis:

As requested, we have reviewed the potential financial impacts of delaying the bidding and construction of the Gebhardt Road and Highland Drive Improvements project. The scope of the Project includes 2,500 linear feet of Gebhardt Road reconstruction, 2,500 feet of new pedestrian path along Gebhardt Road and 850 linear feet of Highland Drive reconstruction. The project was scheduled to bid out in late March or early April of 2022 so that construction could commence in the summer of 2022. Currently, we estimate the project would cost approximately \$1,535,000.

In our professional opinion, delaying work on the Gebhardt Road reconstruction project presents a high risk of adding significant cost to the project. If bidding this project is delayed to May of 2022, there is a potential for bids to increase between 5 to 10 percent. Depending upon the current bidding climate, Ruekert & Mielke, Inc. has historically seen contractors having a full schedule of work lined up by this time. We are already seeing a significant amount of municipal work being bid out for construction in 2022.

When contractor schedules are full, they do not bid on additional work resulting in less competition and higher construction pricing by the remaining bidders. Additionally, we have seen contractors that have a nearly full work schedule for the season also raise bid prices. A one-month delay in the project bidding schedule could increase the cost of this project approximately \$77,000 to \$154,000.

A one-month delay in bidding presents another risk. With acute labor shortages in the construction industry, Elm Grove may find that no contractors bid on the project at all. In that case, Elm Grove may need to bid the project to be built in 2023, causing a ten-month delay to the start of construction. If construction were delayed that long, inflation would likely impose a significant cost increase on Elm Grove.

In recent months, inflation has increased markedly. The Engineering-News Record (ENR) provides the Construction Cost Index (CCI), which is the industry standard for inflation. The CCI indicates that inflation has almost quadrupled from one year to the next, escalating from 2.1 percent from January 2020 to January 2021 to 8.0 percent from January 2021 to January 2022. Conditions that provoked this rapid increase in cost include the pandemic, material shortages from supply-chain difficulties and labor scarcity. We have seen no signs that these conditions are improving. It is possible these conditions may even continue to deteriorate or result in even higher adverse impacts on project costs.

The ten-month delay in starting construction could cost Elm Grove approximately \$102,000. This estimate is based on a conservative approach of applying the recent annual historic inflation of 8.0 percent for ten months. Given that inflation could accelerate, \$102,000 likely provides the lowest estimate for a ten-month delay.

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Regardless of the length of a delay, the outcome for Elm Grove would likely be significant cost increases. The risk of the cost increases explained above can be avoided if the project is bid out according to Elm Grove's current project schedule.

Please contact our office with any questions regarding this matter. Thank you for allowing us to be of service to the Village of Elm Grove.

Respectfully,

RUEKERT & MIELKE, INC.



Anthony D. Petersen, P.E. (WI, IA)

Senior Project Manager

[apetersen@ruekert-mielke.com](mailto:apetersen@ruekert-mielke.com)

ADP:adp

cc: Edward F. Maxwell, M.B.A., Ruekert & Mielke, Inc.  
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