

MEMO

April 24, 2023

To: Finance Committee and Village Board

From: Monica Hughes and Dave De Angelis

RE: Gebhardt Road Project Financing and Possible other Financing Needed

The Village has been planning to reconstruct Gebhardt Road from Highland to Pilgrim Parkway. The project includes a pathway and reconstruction of the intersection at Highland to provide better visibility, safety and a turn lane. The project originally included paving Highland south to Westover Road. The Village passed a referendum on this project not to exceed \$1.3 million. The construction bids received along with Ruekert & Mielke work on design, construction oversight and management will bring this cost above the \$1.3 million referendum limit. The public works committee and staff reviewed and the recommendation is to eliminate the additional paving on Highland south to Westover (approximately 425 feet). This would bring the project into compliance with the referendum limit.

The recommendation is to accept the bid submitted by Purpero as summarized below:

CW Purpero Inc	Base Bid	\$1,004,282	
	Alternative B	28,500.00	tree removal
		<u>\$1,032,782</u>	contracted work with Purpero
Ruekert and Mielke Design		82,000.00	
	Construction Staking	25,000.00	
	On-Site Construction Review	100,000.00	
	Construction Management	<u>28,000.00</u>	
		235,000.00	estimated R&M costs
Total Project Cost		<u>1,267,782.00</u>	
Referendum limit		<u>1,300,000.00</u>	
amount for contingency		32,218.00	3% of Purpero contract

Upon acceptance of this bid, the Village Board and Financing Committee must determine how to pay for the project. The Village developed a Transportation Fund and at the end of 2022 the fund had a balance of \$344,950. The Village also levied \$550,000 to the transportation fund in 2023, thus making \$894,950 available. Although available, consideration should also be given to future needs, as the consensus has been that our roads are deteriorating faster than funds are available for improvements. The Village has also been discussing adding new pathways to the Village infrastructure. The Ad Hoc Pathway Committee is recommending that a new pathway be built each year instead of every other year as considered during the last budget cycle. It may be more prudent to borrow for this year's project and have available funding for more extensive 2024 work. The Board and Committee should understand that payments for

funds borrowed will be an increase to the tax levy this year and in future years. As staff has indicated payments on borrowing are outside of the state levy limits.

As staff has noted in prior meetings, we believe the best borrowing method to fund this project would be to use the State Trust Fund Loan Program. This program provides access to funds at a set interest rate (currently 5%), can be structured over a period between 2-20 years, and has no application fees. The program also allows pre-payment without costs so if the Village would do a general obligation bond issue in the future for other projects (daylighting, water, SSND project) this could be restructured into that borrowing if cost effective.

Staff would also recommend consideration be given to borrowing additional funds to pay for the final payment owed for the purchase of the One Hour Martinizing property. Through mediation, the Village agreed to an additional payment of \$158,750 and will also have expenditures of approximately \$19,400 with the property appraisals currently being done. The Village does not have the funding in its stormwater fund to support these costs and which will ultimately be reimbursed by Tax Increment #2 if amended for the daylighting project. Borrowing for these 2 items would increase the overall by \$178,150.

Examples of the annual payments at different borrowing levels are attached.

The committee should review and make a recommendation to the Village Board on the following:

1. Usage the State Trust Fund Loan for financing
2. How much should be financed for Gebhardt Road and at what term
3. Should additional funds be borrowed for the daylighting expenses of OHM purchase and appraisal.