



TO: Honorable Mayor and City Council Members

THRU: Ed Lavallee, ICMA-CM, MPA, City Manager

FROM: Linda Senne, CPA, CGFM, Finance Director *LS*

DATE: October 29, 2018

SUBJECT: Public Safety Building - Funding

We have reviewed the Budget/Invoice Summary prepared by the Police Department and it accurately reflects the available bond proceeds for the Public Safety Building (PSB) project. However, we would caution that this summary contains preliminary cost estimates, including a construction budget of \$10,502,842. That construction budget includes the low-slope roof option, and has a “budget delta” (current projected deficit) of \$346,886.

A \$10.9 million construction detail estimate by AJAX includes a 7% Contingency line item for \$768,227, as well as an Escalation Cost line item for \$384,113.

The bond proceeds are in an interest-bearing account that has earned \$261,639 through September 30, 2018, and could earn an additional \$200,000 by the time the project is completed. The interest earnings must be expended on the PSB project, or related debt service. In addition, there is unrestricted “seed money” totaling \$195,781 in the Building and Renovations capital projects fund #303 from prior to the bond issuance.

Based on projections, we expect that the City will receive over \$200,000 in law enforcement impact fees by the time the project is completed.

Our concerns on the funding of this project include the following:

1. After the above funding sources are exhausted, we have no Plan B. Additional cost overruns would most likely need to be funded with General Fund reserves, or new debt.
2. The allocation of the reserves identified above at this early stage of the project, would leave no funds available for issues which might occur during construction.
3. We are not sure whether the sloped roof option adds value to the project equivalent to the additional cost, or whether it is primarily for aesthetics or code compliance.
4. We have not seen a life cycle cost analysis of the sloped vs. low-sloped roof options, to determine which option is cost beneficial over the life of the facility.

We offer these concerns for your consideration in determining the direction to proceed on this project.

Please do not hesitate to contact me with questions or comments.