



INFORMATIONAL MEMORANDUM

TO: Finance Committee
CC: Mayor Allan Ekberg
FROM: Rachel Bianchi, Deputy City Administrator
DATE: Updated June 5, 2019
SUBJECT: Fire Station 52 Funding

ISSUE

Staff provided the Public Safety Committee with an update on the status of Fire Station 52, which will also be discussed at the May 28, 2018 Committee of the Whole meeting. The Schematic Design estimate shows that Fire Station 52 is over the revised budget. The Public Safety Committee agreed that the Finance Committee will look at options for funding Fire Station 52 and ultimately provide a recommendation to the full Council. Staff is seeking discussion and direction on the topic to bring back a proposal to the next Finance Committee meeting.

BACKGROUND

The new Fire Station 52 is to be located on the City Hall Campus just north of the 6300 Building in the upper parking lot. With Fire Station 51 moving further south, the FACETS study determined that it would be important for Fire Station 52 to move further south to maximize coverage and response times throughout the City. Fire Station 52 will become the new headquarters station and thus is a larger, more complex building than Fire Station 51.

With the Schematic Design phase complete, the project team began estimating the project. In addition, the group used the bids received for the Fire Station 51 project, currently under construction, to inform the estimating process. Fire Station 52 is above the adjusted budget adopted by the Council in July of 2018. The project team spent considerable time and discussion identifying places to value engineer the project in order to ensure the best value for the City. The team identified nearly \$670,000 in savings that would not affect the functionality of the building. However, it was determined that no additional savings could be found that would not significantly impact the building's usability and long-term functioning.

The construction budget is estimated to be over budget by \$4.23 million once construction costs, sales tax and contingency are accounted for. The full build out of the Administration space, which has been carried as an alternate since early on in the project, is expected to cost an additional \$1.25 million, which would include construction, sales tax, contingency and furniture, fixtures and equipment (FF&E). While this percentage is higher than the overage on Fire Station 51, this project is significantly more complex. It is a two-story building requiring much more structural support and use of steel and has a significant earthwork component.

The most volatile costs on this project are associated with earthwork. Because of the current market, the unknowns about what contractors would potentially bid on this project and the very real escalation

in the market, particularly for earthwork services, the project team elected to include a 30% contingency in the budget for earthwork alone, which is over \$1 million.

Due to the significant amount of value engineering work, this most recent estimating phase took longer than normal, and the project is now finished up with the Design Development (DD) phase. Both Robinson, the outside estimators, and Lydig will be doing another round of estimating on the DD plan set to refine these numbers. As with any project, the final numbers will be known once the bid results are received and compiled.

DISCUSSION

There is a suite of options available to fund the \$4.23 million gap:

- Streamlined Sales Tax (SST) Mitigation payments, which were unanticipated, will be restored over the next four years, estimated at approximately \$4 million. Previously the State Legislature had ended the SST mitigation payments and the City did not include them in the budget moving forward from their sunset date of 2019. However, during this past session, the Legislature restored the payments for another four years. Because these are one-time funds that should not be programmed for ongoing programs or personnel, using this for a one-time cost like construction of Station 52 makes sense.
- Unallocated Fire Impact Fees from 2018, totaling \$167,000.
- Council's 10% one-time revenue contingency, totaling \$525,000.
- 2019/2020 ending fund balance in excess of Council policy.
- Additional debt issuance.
- Dedication of project sales tax.
- Other options explored during the 2018 Finance Committee D-20 discussions.

The project continues to be constrained by market escalation, and the timeline is critical to ensure the ability to contain costs. The project team is very aware of the importance of utilizing the summer months to do the earthwork and site utilities in order to not have additional costs associated with doing this work in the wet months. In order to achieve this goal, staff will be bringing the project forward in two phases – similar to what was done with the Justice Center – in a “mini-MACC” and total MACC under the following timeline:

- Mini-MACC. Earthwork, site utilities, electrical, structural
 - July 1: Public Safety Committee
 - July 8: Committee of the Whole
 - July 15: Full council consideration
- Final MACC. *Building construction*
 - October 28: Public Safety Committee
 - November 11: Committee of the Whole
 - November 18: Full Council consideration

While it will be necessary that the City has identified how to fill the \$4.23 million gap before starting the “mini-MACC,” decisions on funding the alternate of the Administration build-out do not need to be made until Fall and will be informed by how much of the earthwork contingency is used in the mini-MACC, as well as the progress of the other Public Safety Plan projects.

RECOMMENDATION

Staff is seeking the Committee's direction on how to fund the Fire Station 52 gap. Staff would then return to the June 10 Finance Committee with a funding proposal.

UPDATE JUNE 5, 2019

Staff has updated the "D-20" funding model to indicate how the funding gap for Fire Station 52 could be achieved (see attached). Per the direction of the Finance Committee at the May 28 meeting, staff utilized the following revenue sources to achieve this goal:

- \$167,000 in Fire Impact Fees collected in 2018 but not allocated.
- The unanticipated Streamlined Sales Tax Mitigation payments that were added back in the 2019 legislative session.

The following are the changes from what was adopted in the 2019/2020 budget and previously seen in the "D-20" model were incorporated into the attached draft:

- Line 13: Fire Impact Fees were increased by \$167,000 in 2019 to account for the \$167,000 in Fire Impact Fees collected but not allocated in 2018.
- Line 17: Streamlined Sales Tax Mitigation payments included as a new revenue source.
- Lines 28 and 29: Justice Center expenditure reduced, and Fire Station 51 expenditure increased per Council action during the Fire Station 51 MACC and Justice Center "mini-MACC" approval.
- Line 31: The \$4.23 M gap for Fire Station 52 was added as a separate line item.
- Line 33: Apparatus funding in 2018 was reduced to what was actually spent; additional funding put in the out years as a place holder until apparatus and equipment schedule is updated.

With these updates, funding the Public Safety Plan, as modified in 2018, remains attainable and a positive fund balance is achieved each year. As has been previously stated, the funding model is an iterative process that will continue to be updated as the City progresses in funding the Public Safety Plan.

Finally, the project team has now completed the Design Development phase and both Lydig Construction and the independent estimators, Robinson, have completed the latest round of estimating. The \$4.23 M gap for Fire Station 52 was validated in this effort.

RECOMMENDATION

Staff recommends funding the gap for Fire Station 52 with the two sources identified above. Once bids for the mini-MACC are received the full Council will be able to make a final decision.

Staff is seeking consensus from the Committee to move to the June 24 Committee of the Whole for Council discussion.

PUBLIC SAFETY PLAN - Financial Framework - Scenario D - 20 Year Debt with Apparatus Financed

Updated June 5, 2019

1	B	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
		actual	actual	actual	projected	budget	budget	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2	TOTAL	2016	2017	2018	2019	2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
9	Revenues:																
10	UTGO bond proceeds, Voted	36,709,954				40,675,046											
11	LTGO bond proceeds, Councilmanic			20,000,000		25,000,000											
12	Fire Impact fees & deposit - Segale		500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
13	Fire Impact fees - other		1,017,000	400,000	3,000,000	667,000	500,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
14	F301, Lnd & Prk Acq contribution																
15	Property/land sales					4,889,300	1,000,000	2,000,000	5,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
16	REET 1			500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
17	Sales Tax Mitigation payments		141,854	1,250,000		251,091	1,004,363	1,004,363	1,004,363	753,272							
18	Interfund transfer in (out)		258,283	503,546		300,000	100,000	40,000									
19	Investment earnings	9,562	141,854														
20	Annual contribution to balance												1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
21	Additional capacity from maturing, existing debt																
25	Revenue Total	36,719,516	2,058,992	25,953,546	72,582,437	4,235,363	4,975,363	831,000	498,600	498,600	880,800	1,196,400	717,840	717,840	2,817,840	2,817,840	2,817,840
26	% Dbt Svc capacity used for PSP						100%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
27	Project Expenditures																
28	Justice Center	123,833	431,266	17,868,999	26,596,000	21,974,613											
29	FS 51	59,853	254,484	1,145,000	9,416,000	3,939,295											
30	FS 52	8,256	161,299	771,000	2,963,000	13,749,000	1,607,445										
31	FS 52 SD Est Delta		142,791	1,062,209	4,230,000												
32	FS 54		573,651	3,373,824	297,000	624,578	276,621	583,525	507,480	507,480	287,091	384,755	414,980	806,277	109,936	758,212	991,778
33	Apparatus & equip	14,447										270,250	270,250	270,250	270,250	270,250	575,049
34	Apparatus financing																
35	Shops		283,709	22,336,000	2,879,000	4,501,291											
39	Project Expenditures Total	206,389	1,847,199	46,557,032	47,005,578	44,532,345	1,884,066	583,525	583,525	507,480	557,341	655,005	685,230	1,076,527	380,186	1,333,262	1,566,827
40																	
41	Debt Service																
42	Debt service LTGO			239,026	804,200	804,200	1,500,000	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829
43	Utility Fds pay rent = 50% of dbt svc			(119,513)	(402,100)	(402,100)	(562,500)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)
44	GF Debt Service Total			119,513	402,100	402,100	937,500	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398
45	Expense Total	206,389	1,847,199	46,676,545	47,407,678	44,934,445	2,821,566	2,586,922	2,586,922	2,510,878	2,560,739	2,658,403	2,688,628	3,079,925	2,383,584	3,336,659	3,570,225
46																	
52	Annual Surplus (Shortfall)	36,513,127	211,793	(20,722,999)	25,174,759	(40,699,082)	2,153,797	5,016,041	129,212	(159,005)	(579,939)	(362,003)	434,256	(262,085)	434,256	(518,819)	(752,385)
53	Beginning Carryover (Shortfall)		36,513,127	36,724,920	16,001,920	41,176,679	477,597	2,631,394	7,647,435	7,647,435	7,488,429	6,908,490	6,546,487	6,675,700	6,413,615	6,847,870	6,329,051
54	Ending Carryover (Shortfall)	36,513,127	36,724,920	16,001,920	41,176,679	477,597	2,631,394	7,647,435	7,488,429	7,488,429	6,908,490	6,546,487	6,675,700	6,413,615	6,847,870	6,329,051	5,576,666

PUBLIC SAFETY PLAN - Financial Framework - Scenario D - 20 Year Debt with Apparatus Financed

	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI
1	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
9 Revenues:																
10 UTGO bond proceeds, Voted																
11 LTGO bond proceeds, Councilmanic																
12 Fire Impact fees & deposit - Segale	350,000															
13 Fire Impact fees - other	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000								
14 F301, Lnd & Prk Acq contribution																
15 Property/land sales																
16 REET 1	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000								
17 Sales Tax Mitigation payments																
18 Interfund transfer in (out)																
19 Investment earnings	1,000,000	1,000,000	325,796	-	-	-	-	-								
20 Annual contribution to balance																
21 Additional capacity from maturing, existing debt	717,840	717,840	717,840	717,840	903,600	1,058,800	1,058,800	640,400								
25 Revenue Total	2,867,840	2,517,840	1,843,636	1,517,840	1,703,600	1,858,800	1,858,800	1,440,400								
26 % Dbt Svc capacity used for PSP	60%	60%	60%	60%	40%	40%	30%	20%								
27 Project Expenditures																
28 Justice Center																
29 FS 51																
30 FS 52																
31 FS 52 SD Est Delta																
32 FS 54																
33 Apparatus & equip	575,049	575,049	575,049	304,799	304,799	304,799	304,799	304,799								
34 Apparatus financing																
35 Shops																
39 Project Expenditures Total	575,049	575,049	575,049	304,799	304,799	304,799	304,799	304,799								
40																
41 Debt Service																
42 Debt service LTGO	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	3,232,829	1,547,932								
43 Utility Fds pay rent = 50% of dbt svc	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(1,229,431)	(386,983)								
44 GF Debt Service Total	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	2,003,398	1,160,949								
45 Expense Total	2,578,447	2,578,447	2,578,447	2,308,197	2,308,197	2,308,197	2,308,197	1,465,748								
46																
52 Annual Surplus (Shortfall)	289,393	(60,607)	(734,811)	(790,357)	(604,597)	(449,397)	(449,397)	(25,348)								
53 Beginning Carryover (Shortfall)	5,576,666	5,866,060	5,805,453	5,070,642	4,280,285	3,675,688	3,226,291	2,776,894	2,751,546	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597
54 Ending Carryover (Shortfall)	5,866,060	5,805,453	5,070,642	4,280,285	3,675,688	3,226,291	2,776,894	2,751,546	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597	1,590,597