

Memorandum 13-129 Preliminary Design of the Proposed Public Safety Building

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MEMORANDUM 13-129

TO: Mayor Wythe and Homer City Council

FROM: Walt Wrede

DATE: September 3, 2013

SUBJECT: Preliminary Design / Proposed Public Safety Building

At the regular meeting on August 26th, the Council requested that I prepare an ordinance which appropriated funds for engineering and design of the new proposed public safety building. My understanding was that the intent of the Council was to use depreciation reserve funds from the Police and Fire Departments. I understood further, that the intent was to provide funding for a portion of the cost of design and ask the Legislature for the rest this year (for the FY 15 State Capital Budget).

An ordinance to that effect is included in the September 9 Council packet. I had a difficult time making a recommendation on how much money to include and where to take it from. This will need some discussion at the Committee of the Whole and/or when the ordinance gets on the floor at the regular meeting.

The initial, very rough cost estimate for this project is approximately \$15 million. This estimate is based upon the proposed square footage of the building and current construction costs for commercial properties. A generally accepted rule is that engineering and design costs are about ten percent of the total construction cost. Therefore, to complete the engineering and design process could cost in the neighborhood of \$1.5 Million. Carey has stated that it would be desirable for the City to fund half of that amount (\$750,000) because it could get us to 35% plans. This is an important benchmark because it means that we would have completed much of the surveying, permitting, preliminary design and electrical and mechanical schematics. It would also mean more precise cost estimating and a lower contingency requirement because a lot is known and uncertainty and risk are reduced. This would be a nice story to be able to tell the legislature. On the other hand, we could still get valuable information if we were only able to spend \$200,000 and get to 10% plans. We could get a floor plan and some other products out of this and rough costs estimates. But the degree of uncertainty and risk would be much higher. And of course, the local match is lower and less impressive.

The combined Police and Fire Department Depreciation Reserves contain about \$279,121. I would not recommend depleting these reserves because 1) it would be bad policy generally 2) I don't know how much we will be able to transfer to those funds in next year's budget, and 3) both departments will have a need to use those funds over the next three years, or however long it takes to construct the new building. The City also has a "General" depreciation fund which presently has a balance of \$420,000. This account functions like a catch-all, security blanket in case of unanticipated needs. I would not recommend depleting this account either but Council could definitely use it.

The ordinance before you takes sort of a middle road. It appropriates \$300,000, \$50,000 each from the Fire and Police Department Reserves and \$200,000 from the General Depreciation Reserve. My thought was that this would be a good compromise because it is enough to get us something useful but it does not deplete the reserves to dangerous levels. If the Council wishes to provide more money than \$300,000, I would recommend that it be taken from The General Fund balance.

I anticipate that the Council will want to debate this in more detail at the meeting and I look forward to that discussion.

RECOMMENDATION: Debate the amount to be appropriated and the source of funds. If changes to the ordinance are desired after discussion at the Committee of the Whole, the Council could remove the ordinance from the Consent Calendar and make amendments at the table.

Related Ordinances **Memorandum - Related Ordinances:** [Ordinance 13-38\(S\) Budget Amendment to Begin Preliminary Engineering and Design Work on Proposed New Public Safety Building](#)

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