

**CITY OF HOMER
HOMER, ALASKA**

Mayor

RESOLUTION 19-028(A)

A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,
MEMORIALIZING THE COUNCIL'S INTENT FOR THE CONTRACTING
AND EXPENDITURE OF FUNDS, INCLUDING THE PROCEEDS FROM
THE ISSUANCE OF BONDS, AND THE MANAGEMENT OF FUNDS
DEDICATED TOWARDS THE RETIREMENT OF THE BONDED DEBT
FOR THE CONSTRUCTION OF THE NEW HOMER POLICE STATION.

WHEREAS, The City of Homer has entered into a contract for the construction of a new building that will house the Homer Police Department, with Cornerstone Construction, Inc.; and

WHEREAS, The contract is for the general contractor to act as the construction manager (GC/CM), a benefit of which is to arrive at price, scope and quality certainty, which comfortably removes risk to the City; and

WHEREAS, The contractor has provided to the City a Guaranteed Maximum Price (GMP), of \$6,050,000 for the completed cost of the building as described in the contract documents; and

WHEREAS, The contractor is obligated to provide an accounting of the job costs incurred on the project per the agreed Schedule of Values which, together with their fee, will confirm the cost of construction, which shall be no more than the GMP; and

WHEREAS, The contract provides for an incentive to the contractor by equally sharing, (50%), with the City, any remaining General Contractor contingency at the end of the project; and

WHEREAS, The GMP, together with reimbursable costs incurred by the City, constitute a total project cost that cannot exceed \$7,499,284.00; and

WHEREAS, The City has sold bonds which will net the City \$4,780,000 to cover the costs of the project; and

WHEREAS, The actual bond indebtedness, when converted to its net present value, and considering the premiums paid at the time of sale, have a face value of \$4,100,000 which have an imputed interest rate of 5%; and

WHEREAS, The City is collecting a sales tax of .3% (30 basis points) to fund the annual retirement of the project's bonded indebtedness; and

WHEREAS, The agreement with the bonding agency, and as stated as a condition of the bond, prevent prepayment or retirement of the bond for a period of 10 years; and

WHEREAS, The annual proceeds of the sales tax collected will likely exceed the annual costs of the project's bonded indebtedness; and

WHEREAS, Provisions of the bond agreement prevent the City from investing in any financial instrument that earns a rate of return greater than rate paid for the bond (5%).

NOW THEREFORE BE IT RESOLVED that the City Council of Homer, Alaska hereby memorializes the intent for the contracting and expenditure of funds, including the proceeds from the issuance of bonds, and the management of funds dedicated towards the retirement of the bonded debt.

BE IT FURTHER RESOLVED that:

- 1) The City's equal portion, (50%), of the remaining General Contractor contingency at the end of the Project shall be deposited in the General Fund **police station bond repayment account** and be available for appropriation by the Homer City Council.
- 2) Funds that become surplus at the close of the project shall be deposited in the General Fund **police station bond repayment account** and be available for appropriation by the Homer City Council.
- 3) Taxes, dedicated to the retirement of the bond, that are in excess to the annual cost of the retirement of the bond, shall be deposited into a dedicated **police station bond repayment** account which can earn no more than 5%.
- 4) Compliant with the conditions of the voter-supported proposition for bonding the project, when the dedicated account reaches a level sufficient to retire the bond, and cover the annual interest payments through the 10 year guaranteed payment period, the City will cease collection of the .3% sales tax.
- 5) It is the intent of the Homer City Council to retire the bonded indebtedness in its entirety as soon as it has collected sufficient tax revenues and met the time restrictions of the bond.

PASSED AND ADOPTED by the Homer City Council this 13th day of May, 2019

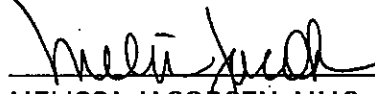
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CITY OF HOMER


KEN CASTNER, MAYOR

ATTEST:


MELISSA JACOBSEN, MMC, CITY CLERK

Fiscal Note: \$6,050,000 Account: 151-7010