

May 15, 2023

MEMO TO: J. Carter Napier, City Manager *sw*
FROM: Zulima Lopez, Parks, Recreation and Public Facilities Director
Jill Johnson, Financial Services Director
SUBJECT: Aquatic Center Roof Deck Funding Plan

Meeting Type & Date

Council Work Session
May 24, 2023

Action type

Direction Requested

Recommendation

Staff recommends reducing the project contingency from 15% to 5% and changing the project funding from the State Land and Investment Board Construction Loan to a loan from Perpetual Care for the original project costs of \$1.8M which will be repaid with 1%17 funds and the balance of funding provided by capital reserves.

Summary

The Casper Family Aquatics Center roof deck was evaluated by structural engineers in 2022 after significant corrosion of the steel deck was observed by City staff. A final report provided in June 2022 recommended replacement of the damaged structural roof deck, vapor barrier, and membrane roofing systems to avoid catastrophic failure and associated safety risks. The report warned that the work should be completed within the next three years to avoid structural compromise to a level that poses a risk to life safety and property.

In Council resolution 22-133, Council provided direction on the allocation of 1%17 anticipated revenues over the next 4 years. The Aquatics Center Roof Deck was included in the allocation for a total of \$1,864,000: \$508,000 from Public Building Repairs and \$1,356,000 from Sports and Physical Fitness, with \$466,000 allocated each year over the 4 years starting in FY25. This budget request was based on estimates provided by the consultants that completed the building assessment in 2022.

City staff have estimated 1%17 will produce \$64,500,000 in funding over the 4 years of collections. The 1% funds come in each month over the 4-year period. It is necessary to allocate the funding over the 4 years so the projects being funded have cash on hand. However, because of the critical nature of the roof condition and the need to start construction earlier than FY27 when all the funds would be on hand, alternative funding was explored.

On February 14, 2023, City Council provided direction for staff to apply for a SLIB Capital Construction Loan, which would create funding for the project in FY24 with repayment of the

project costs over five years, which fits the 1%17 allocation schedule. Since submitting the application, the City has learned that the Wyoming Legislature through SF0071 increased the interest rate for the loan from 1% to 3.47%. At the new rate, the interest would increase \$142,162 over the five-year loan for a total of \$198,453 instead of the \$56,291 that was originally estimated. Moreover, final project design estimates provided by GSG Architecture on May 5, 2023, estimate the cost of the project, with a recommended 15% bidding and construction contingency, at \$2,415,693. This is \$551,693 over the original estimate and corresponding 1%17 allocation. Considering the significant changes in the project estimate and previously approved funding strategy, staff is seeking Council direction regarding a new and/or updated funding plan.

Financial Considerations

There have been several financial changes to this project since the last time it was reviewed by Council. When originally presented to council, the recommendation was to apply for and secure a State Land and Investment Board (SLIB) loan as the interest of the loan was much lower than our investment return. The Wyoming Legislature recently approved SF0071 which increased the loan rate so it equals the yield on a US treasury security for the same duration of the loan. For the loan we are requesting, the interest will go from 1% to 3.47% making the loan option more expensive.

In addition to the loan becoming more expensive, the project costs have also increased by \$551,693. Within the project costs, the contractor is recommending a 15% contingency. If the contingency was reduced to 5%, the project costs would be reduced from \$279,600 to \$93,200, adjusting the additional funding requirements by \$186,400 to \$365,293. The total project cost, with the reduced contingency, would be \$2,229,293.

The two options previously offered are listed below with updated costs of each option.

Investments could be liquidated to provide funding for this project now and be replaced over the next 4 years as the funds are received from 1%17 until the balance was repaid. The most recent investment performance report shows a yield to maturity of 4.51%. The original estimated cost of \$1,864,000 and assuming the funds would be returned to investments at the end of each year after the 1% was collected, the lost revenue from investments at 4.51% would be approximately \$126,100. For the total increased cost of \$2,229,293 which assumes the reduced contingency, and assuming only the \$1,864,000 would be returned at the end of each year, the additional lost interest income would be approximately \$24,713 for a total lost investment interest of \$150,812 over the 4 years.

The State Land and Investment Board offers a Capital Construction Loan Program for which this project would qualify. The loan is from 5 to 25 years and the interest rate is adjusted for the longer the term. As the collections for the 1% are over the next 4 years, the loan term would be 5 years. The interest rate would be 3.47% and there would be a one-time origination fee of 0.5%. The origination fee would be \$9,320, annual loan payments would be \$412,491 and interest over the life of the loan would be \$198,453. The payments are due annually and would be funded from the 1% allocation. The 1%17 will cover the principal and the budgeted balance not used for the design will cover about half of the interest (\$100,000). The additional \$98,453

of interest and \$365,293 of project costs, assuming the contingency reduction, would be covered by capital reserves without any revenues to replace these expenses.

With this new set of facts, the liquidation of investments is the less expensive option for funding this project.

Oversight/Project Responsibility

Zulima Lopez, Parks, Recreation & Public Facilities Director

Jill Johnson, Financial Services Director

Attachments

None