



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: December 20, 2021		Subject: Public Works Complex Financing Plan	
		Staff Member: Delora Kerber, Public Works Director	
		Department: Public Works	
Action Required		Advisory Board/Commission Recommendation	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input type="checkbox"/> Resolution <input type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input checked="" type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable Comments: N/A	
Staff Recommendation: Review and provide feedback on the financing plans available for the construction of the Public Works Complex.			
Recommended Language for Motion: N/A			
Project / Issue Relates To:			
<input checked="" type="checkbox"/> Council Goals/Priorities: Expand and Maintain High Quality Infrastructure	<input checked="" type="checkbox"/> Adopted Master Plan(s): 2015 City Facilities Master Plan	<input type="checkbox"/> Not Applicable	

ISSUE BEFORE COUNCIL:

Review proposed financing plan to fund the construction of the Public Works Complex, which will consolidate the Public Works Department functions from various sites into a single location with a centralized warehouse, secure storage for city equipment and a seismically resilient building with a new Emergency Operations Center.

EXECUTIVE SUMMARY:

The Public Works (PW) Department is responsible for maintaining the City's transportation system and Rights of Way (ROW), water system, wastewater system, stormwater system, and city owned facilities. Additionally, PW serves as the City's Emergency Management Department. The current administrative offices are on the main level of the Public Works/Police Office building. PW equipment and materials are located at several sites around town including shared warehouse storage at Memorial Park Barn, barn and yard on property along Tooze Road (acquired for a future water reservoir), Elligsen Road Reservoir, SMART / Fleet facility and 3-Bay storage yard in Memorial Park. The 3-Bay site is on Park property and PW is currently utilizing the area through a five-year Conditional Use Permit which needs renewal in July 2024. The existing warehouse storage and equipment yard facilities at these sites are inadequate in both allocated space, associated structures/facilities and overall location. The decentralization of the sites and their distant locations from the administrative offices make day-to-day operations inefficient. The proposed solution to improve the PW Department facility is to build a new seismically resilient Public Works Complex that will consolidate the office, warehouse storage and equipment yard functions on a designated secure property.

In March 2015, the City completed a Facility Master Plan (FMP) that provided an analysis of the existing conditions of City facilities, concepts for incremental programmatic building, and proposed site improvements to meet the City's short and long-term needs through the Year 2035. The FMP Priority Evaluation categorized various improvement projects by priority rating including the condition of the existing facility, the urgency of the improvement project and funding availability. The Evaluation process developed two top priority projects: Priority #1 - Improved accommodations for the Police Department; and Priority #2 – Construct a new Public Works Complex. Priority #1 relies on the execution of Priority #2 in order to implement.

In 2016, the City purchased 7.58 acres on Boberg Road followed by the development of a conceptual Master Plan. Design of the PW Complex emphasizes functionality, long-term planning, seismic resilience, sustainability, energy efficiency and maintainability. In 2018, the City completed a Programming Analysis to determine the facility's essential needs and appropriate scaling. In 2019, the City commissioned the full design of the Complex based on the determinations made from the Programming Analysis and final design and construction drawings were finished in 2021. The final design calls for a 17,668 square foot seismically resilient administrative building with offices for staff, four individual crew rooms for the respective operational divisions, locker rooms, drying and laundry room, a break room, back-up servers for all city needs and a multi-purpose Emergency Coordination Center meeting space. The administrative building is an essential facility meeting Seismic Design Category IV criteria to ensure it will remain operational during and after a major disaster type event. The plans also call for a 19,967 square foot warehouse structure with space for materials, equipment and vehicle storage. Additional structures include a decant facility, chemical storage space and tanks, an equipment / vehicle wash, staff and city vehicle parking and outdoor construction materials storage.

During the last two years, our community was impacted by COVID, ice storms and forest fires and the City has relied more and more upon its Public Works Department to coordinate and implement the City's emergency response. This new facility would provide the first seismically rated city facility that would be an emergency coordination center in the event of a disaster as well as serve as a redundant support facility for other City needs in the event of subsequent events.

In early November 2021, an updated estimated construction cost summary was completed based on the final design, along with projected costs for permits, system development charges, other fees, and construction management for a total project cost of \$22,550,000. Recognizing the challenges of the current construction market and supply chain concerns, this project intends to utilize an alternate project delivery method to help control costs during construction.

The Public Works Department provides support services for many City programs and project costs will be distributed across various public works funding sources. The proposed funding allocations is as follows; General Fund (16%); Water (23%), Wastewater (23%), Stormwater (18%), and Roads (20%). This proposed allocation is based on space allocations within the overall facility as they relate to specific programs and proportionality of shared space.

To fund the project there are two scenarios each with several variations. Common to both scenarios is an upfront full prepayment of \$2,108,000 from the general fund reserve balance and partial upfront prepayment of \$2,000,000 from each of the water and wastewater fund's respective reserve balances thereby reducing the outside debt financing to \$16,442,000. The proposed General Fund prepayment would limit the loan repayment to utility revenue funds and the gas tax fund and minimize the complexity of outside borrowing. A small inter-fund loan of \$1,500,000 from the Water Fund to the General Fund share is recommended to curtail the long-term debt burden to the General Fund.

Scenario 1: 10-year term loan with three variations

- 1A) No early payoff with an annual debt service of \$1,800,000 allocated proportionally to Roads, Stormwater, Water and Wastewater operating funds. *
- 1B) Partial early payoff to cover the outstanding balances associated with the Roads and Stormwater Funds estimated at \$5,400,000 on July 1, 2026. Annual combined debt service for water and wastewater funds would continue at \$862,000 per year for the remainder of the term.*
- 1C) Full early payoff of \$10,300,000 in 2026 to cover all remaining payments.

** Estimations based on a 2% interest rate, with biannual payments on loan proceeds received March 1, 2022.*

Scenario 2: 15-year loan with the same three variations

- 2A) No early payoff with an annual debt service requirement of \$1,300,000 a year allocated proportionally to Road, Stormwater, Water, and Wastewater operating funds. **
- 2B) Partial early payoff to cover the outstanding balance associated with the Roads and Stormwater Funds estimated at \$6,600,000 on July 1, 2026. Annual combined debt service for water and wastewater funds would continue at \$622,000 per year for the remainder of the term. **
- 2C) Full early payoff of \$12,600,000 in 2026 to cover all remaining payments.

*** Estimations based on a 2.25% interest rate, with biannual payments on loan proceeds received March 1, 2022.*

Proposed funding source for partial or full early payoff of the loan is to utilize the ground lease lump sum payment from the 99-year Raw Water Pipeline (RWP) lease for the right to install and maintain a 66-inch water pipeline in City's Right of Way. Per the lease agreement, Tualatin Valley Water District and the City of Hillsboro pays the City of Wilsonville an annual payment of \$173,577 from July 2016 to July 2025 for 10-year total of \$1,735,770. The lease agreement culminates with a programmed lump sum payment of \$15,448,357 on July 1, 2026.

Using the RWP lump sum payment for the construction of the PW Complex would relieve some or all debt burden from user rates for utilities and minimize the impact to the gas tax fund which is used for the operation and maintenance of roads and ROWs. Option 1B and 2B early payoff would fully cover the debt for stormwater and roads leaving the water and wastewater funds to continue payments to the end of the loan term. Option 1C and 2C early payoff would cover the debt related to stormwater, roads, water and wastewater funds and the project debt would be retired.

EXPECTED RESULTS:

A successful Public Works Complex project will: address the current and future needs of the Public Works Department; improve efficiency through consolidation, organization, and layout; provide adequate shop space, office space, meeting rooms, breakrooms, locker and shower areas, vehicles, equipment and materials storage, disposal areas and parking; incorporate sustainability and green energy technology; and meet seismic risk category IV.

TIMELINE:

With funding approval, the project could start construction in early 2022 and be completed within a 16 - month period.

CURRENT YEAR BUDGET IMPACTS:

Funding of this project would require an amendment of the FY 21/22 budget to cover construction costs expended in this fiscal year. The remaining budget would be included in the FY 22/ 23 budget. A compounded 7% is added to the project cost each year it is delayed.

FINANCIAL REVIEW:

Reviewed by: KAK Date: 12/09/2021

LEGAL REVIEW:

Reviewed by: JRA Date: 12/10/2021

COMMUNITY INVOLVEMENT PROCESS:

N/A

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

This project will provide more efficiency of operations by consolidating the various Public Works functions in one location.

ALTERNATIVES:

Request additional financing plans.

CITY MANAGER COMMENT:

N/A

ATTACHMENTS:

1. PW Complex Financing Proposals
2. PW Complex Renderings