

## CITY COUNCIL

For City Clerk's Use:

☐ **APPROVED** ☐ **DENIED**

Reso No. \_\_\_\_\_ File No. \_\_\_\_\_

Ord No. \_\_\_\_\_

**Agenda Item No.: 14**  
**Date: January 11, 2012**

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Michael Lowry, Fire Chief

**SUBJECT:** Increase Fire Station No. 4 Reconstruction budget and the "design-build" contract with Erickson-Hall Construction ("Agreement") for the Reconstruction and Remodel of Fire Station No. 4 (the "Project").

**RECOMMENDATION:**

It is requested that City Council adopt Resolution No. 2012-07 authorizing an increase to the Project budget funded by an interfund loan from the Public Facilities Fund to the General Capital Project Fund in the amount of \$550,000 ("Loan") and in addition, increase the Agreement's Project cost by \$465,000.

It is also requested that the Loan be paid back from the Fire Department Operating Budget over the next five (5) years beginning in fiscal year 2012-2013 at approximately \$110,000 to \$120,000 per year. In addition, the Fire Department's Operating Budget will be increased each year to cover the Loan payment.

**PREVIOUS ACTION:**

On March 9, 2011, the Fire Department presented to Council a financing plan to fund the Project by utilizing the projected sale of Fire Station No. 3 for \$340,000, Public Facilities Fees of \$1.83 million, closed capital projects of \$150,700, and the Building Maintenance Fund of \$78,000 for a total of \$2.40 million.

Currently the City is in escrow on Fire Station No. 3 and we anticipate revenue from the sale to be \$85,000 less than originally projected. As a result, the Project is \$85,000 short of full funding.

FISCAL ANALYSIS:

The Public Facilities Fund currently has a Fund Balance of \$2.478 million. The Fire Department is requesting a loan be established since no other funding sources are available to fund the Project's budget. Full funding for the Project is also contingent on the sale of Fire Station No. 3 and if this sale is not completed, funds may need to come out of the General Fund reserve.

Proposed Interfund Loan:

|               |  |
|---------------|--|
| \$ 465,000    | Additional funds – Erickson-Hall Contract        |
| <u>85,000</u> | Additional funds – Sale of City Property deficit |
| \$ 550,000    | Total estimated Loan                             |

BACKGROUND:

On October 5, 2011, Council adopted Resolution No. 2011-130 authorizing staff to enter into a \$2.1 million dollar contract with Erickson-Hall Construction as the general contractor as part of the "design-build" team with the City of Escondido and Jeff Katz Architecture for the Project.

Unfortunately, it was determined during the Project's preliminary construction phase that in order to keep within the budgeted amount originally authorized by City Council, the anticipated square footage of 8,145 would need to be reduced and the "fit and finish" scaled back. Therefore, the Fire Department staff has been in ongoing meetings with City staff, the general contractor and the architect in order to reduce costs. Even with the reduction of both the "fit and finish" and square footage to 5,963, it has been determined that \$465,000 is still necessary in order to complete the station.

Respectfully submitted,



Michael Lowry  
Fire Chief

RESOLUTION NO. 2012-07

A RESOLUTION OF THE CITY COUNCIL OF  
THE CITY OF ESCONDIDO, CALIFORNIA,  
AUTHORIZING A LOAN FROM THE CITY'S  
PUBLIC FACILITY FUND TO THE CITY'S  
GENERAL CAPITAL PROJECT FUND IN  
ORDER TO SUBSIDIZE A FOUR HUNDRED  
SIXTY FIVE THOUSAND DOLLAR BUDGET  
INCREASE FOR THE CITY'S REMODEL OF  
FIRE STATION NO. 4

WHEREAS, on October 5, 2011, pursuant to authorizing Resolution No. 2011-130, the City Council authorized the execution of a design-build agreement with Erickson-Hall Construction Co. ("Agreement") for the remodel and reconstruction of Fire Station No. 4 (the "Project"); and

WHEREAS, due to unavoidable cost overruns on the Project that are associated with procuring a fully operational fire station, an additional \$465,000 is needed to ensure successful and timely completion of the Project; and

WHEREAS, in order to fund Agreement's budget adjustment, to be paid out of the City's General Capital Project Fund, and in order to ensure that the General Capital Project Fund contains sufficient funds to subsidize the increased Project cost, the City's Public Facilities Fund will loan the General Capital Fund \$550,000 ("Loan"); and

WHEREAS, the Loan will be repaid from the City's General Fund or from such other sources as the City Council may direct from time to time, to the Public Facilities Fund, to be amortized over a period of five (5) years, commencing on the day the Loan is made, on or about January 11, 2012; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to approve the budget adjustment to the Agreement which will increase the Agreement's Project cost from \$2,100,000 to \$2,565,000.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the Agreement's Project cost shall be increased to \$2,565,000, subject to final review and amendment of the Agreement by the City Attorney's Office.
3. That the Loan Amount from the Public Facilities Fund of \$550,000 is hereby documented with such funds having been transferred from the City's Public Facilities Fund to the City's General Capital Fund on or about January 11, 2012.
4. That the Loan shall be repaid from the General Fund or from such other sources as the City Council may direct from time to time, to the Public Facilities Fund, to be amortized over a period of five (5) years, commencing on January 11, 2012. Such repayment shall occur on June 30 of each calendar year with an annual principal payment of \$110,000 and bear interest at a rate equivalent to the City's calculated investment portfolio monthly yield. Commencing on June 30, 2012, the first payment will include only interest at a rate equivalent to the City's calculated investment portfolio monthly yield as of June 30, 2012. Subsequent annual payments shall include the principal and interest as described above and will commence on June 30, 2013.