

Justice Center Funding

COURT'S SPECIAL PROJECTS ACCOUNT

The primary cost of building the proposed justice center will be borne by a court cost assessment for special court projects. This assessment was instituted in 1997. It has generated the following revenue through May of 2005: \$1,096,245.00.

Expenditures from this fund have been made to pay for the court's portion of the city hall project that did not materialize. Additional expenditures have been made to acquire the property located at 329 Third Street, which now houses the LifeLink Drug Court, various studies and design costs for this justice center project as well as different acquisitions over the years for the Court. The court has available \$541,000.00 as promised.

TOTAL COST OF PROJECT

The current estimate for construction of this project is \$3,945,193.00 for the building, \$280,161.00 for the parking, \$266,281.09 for architectural services \$47,500.00 in miscellaneous consulting and interior design fees and \$150,000.00 for equipment for a total of \$ 4,689,135.09.

It should be noted that the proposed justice center would house the office of the city law director. Council has pledged \$500,000.00 to pay for that portion of the building dedicated to paying for this executive branch function.

BORROWING

The current estimate for the cost of the project exceeds funds on hand and pledged by council. If the project goes forward as proposed, the city will have to borrow approximately \$ 3,650,000.00 to complete the project.

Calculated as follows:

	Current	December 2003
Construction (including contingency)	\$3,945,193.00	\$3,525,000.00
Architectural/Engineering & Allowances	\$ 266,281.09	\$ 390,000.00
Consulting	\$ 47,500.00	
Equipment	\$ 150,000.00	\$ 150,000.00
Parking	\$ 280,161.00	\$ 281,000.00
Total	\$4,689,135.09	\$ 4,346,000.00
	(7.89% increase in 18 months)	
Less		
Council Pledge	\$ 500,000.00	
Funds on Hand (Special Project Account)	\$ 541,000.00	
Total	\$1,041,000.00	
Balance	\$3,648,135.09	

Law Director Riggs has consulted with the city's bond counsel firm of Squires, Sanders, and Dempsey. The city has two options for borrowing money.

Option 1. Issue a one-year construction note at the current estimated interest rate of 3%. Upon completion of construction, issue 25-year tax-free municipal bonds to retire the construction note. The interest rate estimate is 5% on these bonds.

Advantages – Turn around on the construction note is four to six weeks. The initial interest rate is quite favorable. It gives flexibility in the event of unforeseen cost overruns.

Disadvantages – The long-term interest rate is not locked in and could increase. Correspondingly, it could decrease which mitigates this disadvantage.

Option 2. Issue 25-year tax-free municipal bonds immediately upon accepting the bids for the project. The current estimated interest rate to be paid is 5% on these bonds.

Advantages – The interest rate is locked in.

Disadvantages – Turn around time for preparing the offering documents for these bonds is three months. There is no flexibility to acquire additional funds if there are unexpected cost overruns. If market rates decrease during construction, the city could not take advantage of the decrease.

Cash Flow

Under the current projections, a monthly cash flow of \$21,578.00 is needed to retire the bonds. The court's special project fund has generated an average monthly amount of \$11,830.00 since the assessment was increased to \$20 in September 2004. The collections in this account ranged from a low of \$10,283.11 to a high of \$14,825.00. In the event of a shortfall in any particular month on revenues in the court's special projects account, the city would have to pay the difference with the assurance that the court will continue to collect costs until all principal and interest on the obligation is retired.

In reality, the monthly cost will be reduced by the fact the court will continue to collect court costs pledged to fund this project while construction documents, bidding and contracts are awarded. Additionally, borrowing can occur incrementally during construction. It is feasible that the court can contribute an additional \$225,000 to the project. Additionally, if council commits more funds up front to reduce debt service, the court will reimburse council from the special projects fund after the debt is retired.

Affordability

The city has the capacity to issue the bonds for this project and the revenues to pay for those bonds. It is not a question of affordability. Rather, it is a question of priority. Council has responsibility to fund the city infrastructure. This project provides a long-term solution to a vexing problem to provide facilities for an essential government service with adequate public meeting space. The proposed structure is designed as a facility for public meeting space, which dictates its size as well as its function. The

project eliminates a significant liability problem for the city in regard to handicapped accessibility as well as public safety. Avoidance of one liability claim will justify this proposed expenditure.