

# STAFF REPORT

## *City Council Business Item*

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**DATE:** October 16, 2023

**TO:** Honorable Mayor and Council Members

**FROM:** Brendan Byrd, Public Works Director/City Engineer  
Aaron Felmlee, Finance Director

**THROUGH:** Merritt Perry, City Manager

**SUBJECT:** **Approve a Supplemental Budget Request for the Police Facility Remodel Project**

### **STAFF RECOMMENDATION:**

Approve a Supplemental Budget Request of \$430,000 for the Police Facility Remodel Project (CIP 9104)

### **EXECUTIVE SUMMARY:**

The Police Facility Remodel project began in March of this year and expected to be completed in the first quarter of next year. When the project was brought to the Council with a request to award the construction contract, staff presented the anticipated project budget, and it is summarized Table 1 below. Some of the items that were estimated as a part of the budget included:

- Project Construction and Construction Contingency
- Computer and Server System Installation and Start Up
- PG&E Power Service Upgrade
- Dispatch Radio System Upgrade
- Construction Engineering

As the project has progressed, the expected costs have become known, and better able to estimate. Some of the items will cost more than expected, and some will cost less. For example, staff anticipate the PG&E service upgrade portion of the project will come in under the projected budget, and the computer system (IT) work will come in at budget. The total project budget summary is presented in Table 1, below. Overall, the total project costs are expected to come in higher than the original estimate. The primary reasons for the cost increase in each category are noted below:

- **Project Construction and Construction Contingency** – Currently the construction contract is within the approved construction budget, and most of the contingency has been used. The primary use of the contingency was to address a large number of unforeseen conditions that were encountered and needed to be addressed including changes to roofing, electrical, insulation, rot repair, and structural framing. More work was required than was described by the original bid documents

The total amount of the changes approved to date is within the Council approved contract amount. It is expected that the contingency will be exhausted on the base contract and the items added by change order in the table above. Additional funds will be necessary to cover the remaining changes that are necessary.

Staff will present a summary of the change orders at the council meeting on 10/16/2023.

- **Dispatch Radio System Upgrade** – The total cost of the radio system was approximately \$65,000 higher than originally estimated. The primary reason for the increase was cost inflation over the years since the original budget was estimated in 2018-19.
- **Construction Engineering** – Several constructions related issued have arisen during the project that were not anticipated during the design of the project. Therefore, the City has had to engage the design engineer to revise drawings and calculations beyond what was expected. Staff anticipate only a relatively small overage in construction engineering in the amount of \$10,000.

In addition to the planned items, staff are anticipating the need for furnishings for the building that were not part of the project, and the addition of photovoltaic panels to offset future utility costs.

Furnishings for the new building are anticipated to include items such as tables, dispatch consoles, evidence racks, armory racks, blinds and miscellaneous appliances that are not related to construction of the building.

The new photovoltaic panels would be installed on the former roof of the facility to offset future electric costs. Staff planned for the building to be solar ready, and updated the electrical design to readily accommodate a solar installation. Additionally, staff completed an application to PG&E for a solar interconnection which was approved under the previous net metering standards, that pay a higher rate than the current net metering standards. A discussion of the benefits of adding the solar photovoltaic panels follows the budget summary below.

**FINANCIAL IMPACT:**

The updated budget for the project is shown in the table below.

Table 1. Project Budget Summary

<b>Item</b>	<b>Original Project Estimate</b>	<b>Updated Project Estimate</b>	<b>Amount Over/Under</b>
Construction (Sequoia Construction)	\$2,920,000	\$3,103,000	\$183,000
PG&E (Electrical Service Upgrade and Installation)	\$100,000	\$80,000	\$(20,000)
Nylex (Building Information Technology Switchover and Upgrades)	\$85,000	\$85,000	\$0
Dispatch System Replacement (Radio)	\$150,000	\$215,000	\$65,000
Construction Engineering	\$70,000	\$80,000	\$10,000
Miscellaneous Facility Outfitting	\$0	\$80,000	\$80,000
<b>Total Estimated Cost</b>	<b>\$ 3,325,000</b>	<b>\$3,643,000</b>	<b>\$318,000</b>

The addition of the photovoltaic panels will have an initial cost of approximately \$112,000. The projected amount saved over the performance life of the panels (25-years) is \$350,000. This provides the City with a net estimated savings of \$238,000 over 25 years.

The Council allocated approximately \$2,350,000 from the General fund (monies received from the ARPA), \$825,000 from Measure E and the balance from Asset Seizure funds for this project. Staff is recommending taking the additional \$225,000 project costs needed as well as the \$112,000 solar project costs from Measure E reserves. Below is a summary of where Measure E reserves currently stand.

Measure E Reserves	Amount
FY 23-24 Estimated Beginning Fund Balance when Budget was adopted	\$4,525,264
FY 22-23 Updated Estimates (Measure E Revenue shortfall)	\$(82,807)
FY 23-24 Budgeted Net Activity	\$(2,364,400)
Remove FY 23-24 budgeted item for Boom Mower (USDA Grant not received)	\$37,500
<b>FY 23-24 Estimated ending fund balance</b>	<b>\$2,115,557</b>

The Council approved use of \$825,000 of Measure E funds for the POD Project as recommended by the Measure E Committee. At the time the Measure E Committee agreed that having \$2,000,000 in reserves was a sufficient amount and any amounts above that threshold should be allocated to one time projects. Thankfully, Measure Z picked up the DTF officer position which freed up about \$170,000 from what the committee would have otherwise spent from reserves. Additionally, staff removed the budgeted item for a new Boom Mower from the Measure E budget, as the City did not receive a grant to pay for a portion of that purchase as expected. Unfortunately, Measure E revenues came in under budget for FY 22-23 so that shortfall will need to be picked up by Measure E reserves in the amount of \$82,807. After those adjustments, staff project the Measure E ending fund balance at the end of FY 23-24 to be \$2,115,557. Staff is recommending taking the additional \$430,000 needed to complete the Police Facility Project (including solar) from Measure E reserves which would leave reserves at an estimated \$1,778,557.

Measure E Reserves	Amount
FY 23-24 Estimated ending fund balance	\$2,115,557
Updated Project Estimate Costs	\$(318,000)
Solar Project	\$(112,000)
<b>FY 23-24 Estimated ending fund balance w/ POD SBR</b>	<b>\$1,685,557</b>

Although this brings the Measure E reserves below the stated goal of \$2,000,000 in reserves it is still above the 180 days of operating expenditures that staff typically follow as a baseline for how much should be in reserves. 180 days of operating reserves in the Measure E fund would equate to about \$1,000,000. Staff and the Measure E Committee will work on getting reserves back up to \$2,000,000 in the Measure E fund as part of the next budget cycle should that be a stated goal of the Measure E Committee and City Council.

**RECOMMENDED COUNCIL ACTION:**

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Motion to Approve a Supplemental Budget Request of \$430,000 for the Police Facility Remodel Project (CIP 9104). Voice vote.

**Attachments:**

- Attachment A – Supplemental Budget Request