SALT LAKE CITY COUNCIL STAFF REPORT

DATE: August 23, 2005

SUBJECT: Proposed Fleet/Streets Facility Construction Project

STAFF REPORT BY: Jennifer Bruno, Policy Analyst

ADMINISTRATIVE DEPT: Public Services
AND CONTACT PERSON: Lamont Nelson, Fleet Management Division Director

KEY ELEMENTS:

A. In 2002 the Council funded an audit of the City's Fleet operation. It recommended that the Public Services Department conduct a feasibility study of the Fleet/Streets Complex to identify site and work area deficiencies, and space needs and allocations that would result in a more efficient layout and safer work environment.

B. The feasibility study identified 39 facility improvements that needed to be made. In 2002 the cost was estimated at $7.2 million. In 2004, the City hired a consultant to do further schematic design and to make a more accurate determination of construction costs. The consultant then determined that construction costs would now be in the range of $9.7 million, and that 2 of the 39 recommended improvements could not be achieved at the current facility because of physical site constraints. The consultants also determined that the fuel bay had deteriorated to an extremely poor condition and should be improved (this was not one of the original 39 recommended facility improvements). The estimated cost of this improvement is $1.5 million. Because of space limitations at the current site, the consultants recommended the fuel bay be relocated to adjacent property (cost estimate for this is theoretical because adjacent property has not been identified that could support this function).

C. Around this time, the City's Property Management Division brought to the attention of the Department of Public Services, a parcel of land for sale on 500 South, directly across the street from the Parks Maintenance Facility.
    1. The existing site is located in the Granary District, and RDA staff has raised the idea of the RDA purchasing the property to spur development in the area. The proceeds from the sale could be used towards the purchase of the land on 500 South. However, the RDA has cautioned that making funds available for this purchase would be difficult. The Council may wish to consider how timing as well as site mitigation costs could adversely affect the sale or purchase of this site.

D. The consultants then did a feasibility analysis of the new site and determined that it would be adequate for the Fleet/Streets Complex. Construction costs are estimated to be $19.4 million (see Attachment A, Column D), *not* including land acquisition.
    1. An analysis prepared by the Property Management Division estimates that the existing facility has a sale value of $5.5 million and that the alternative site could be purchased for approximately $3.5 million. The $2 million balance could be applied

to the construction costs, bringing the remainder to be funded down to $17 million, compared to a total cost of $9.7 million to remodel the current facility.

E. The Administration's transmittal notes the following benefits to constructing a new Fleet/Streets Facility:
    1. Solves all 39 of the improvement recommendations from the 2002 Council audit as well as others identified by the design consultant.
    2. Provides the opportunity to centralize all City fleet operations.
    3. Centralizes the three largest functions of the Public Services Department – Streets, Fleet, and Parks – allowing operational efficiencies in warehousing, accounting, inventory control, purchasing, and equipment and employee pooling.
    4. Enables the City to construct a new, environmentally sensitive facility.
    5. Enables the City to eliminate the fueling site at the Parks facility and allows for the addition of a Compressed Natural Gas (CNG) fueling site.
    6. Allows for extra vehicle and equipment storage, which would allow the City to consider selling the warehouse space at the International Center currently used for storage.
    7. Has room for expansion as operational and storage needs grow (estimated use life is 30 years, compared to *renovated* existing facility which is 10 years).

F. Based on the above information, the Administration is recommending that the City move Fleet operations to this alternative site.

MASTER PLAN AND POLICY CONSIDERATIONS:

A. The current Fleet/Street Facility site (located at 325 West 800 South) is zoned Downtown Support District (D-2). The purpose of the Downtown Support District (D-2) is to accommodate commercial uses and associated activities that relate to and support the Central Business District but do not require a location within the Central Business District. Development within the D-2 Downtown Support Commercial District is less intensive than that of the Central Business District.
    1. The proposed alternate site (located across the street from the Parks Department Building at 1965 West 500 South), is zoned Light Manufacturing (M-1). The purpose of the Light Manufacturing (M-1) district is to provide an environment for light industrial uses that produce no appreciable impact on adjacent properties and desire a clean attractive industrial setting.

B. The Gateway District Land Use & Development Plan (1998), as well as the Granary District Redevelopment Project Area Plan (1999) identifies the future land use of the site to be commercial, described as larger scale uses, such as retail, institutional, civic or office complexes.
    1. The Council may wish to consider how the presence of the existing Fleet/Street facility may be discouraging the intended development of the surrounding area in the Granary District Redevelopment area.

BUDGET RELATED FACTS:

A. The Administration is recommending that the City pursue construction of a new Fleet/Street Facility on 500 South across the street from the Parks Department Building. Depending on the cost of construction and land acquisition, and whether or not the City can successfully negotiate a sale of the existing Fleet/Street Facility, net costs to the City could

range from a low of $17.4 million (assuming sale of the existing facility) to $22.9 million (no sale of the existing facility).

1. Debt service estimates are provided in Attachment B, with the range of total amounts borrowed, on the far left column. The annual debt service is proposed to be distributed among departments in the following manner:
    - General Fund CIP – 69.2%
    - Impact Fees - 3.9%
    - Refuse Fund – 13%
    - Fleet Fund – 13.9% (Fleet will increase billing to the various general fund departments to pay for 60% of their portion of the debt service – as reflected in the far right column)
2. Assuming the best case scenario (the City successfully selling the existing facility for $5.5 million, buying the new land for $3.5 million, and construction costs of $19.4 million, for a net cost of $17.4 million), the following reflects the estimated annual debt service from each fund (rounded to $18 million for discussion purposes):
    - General Fund CIP – $925,283
    - Impact Fees - $52,147
    - Refuse Fund – $173,825
    - Fleet Fund – $74,344 (with $111,515 to be paid for out of increased billing to the other general fund departments)
    - **Total annual debt service** - $1,337,114

B. If the City decided to pursue renovating the existing Fleet/Street facility for $9.7 million, the total annual debt service would be approximately $742,841.

Cc: Rocky Fluhart, Sam Guevara, DJ Baxter, Rick Graham, Lamont Nelson, Kevin Bergstrom, Greg Davis, Marge Harvey, Janice Jardine, Dave Oka, Valda Tarbet

RICHARD GRAHAM
PUBLIC SERVICES DIRECTOR

SALT LAKE CITY CORPORATION
DEPARTMENT OF PUBLIC SERVICES

ROSS C. "ROCKY" ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky Fluhart
Chief Administration Officer

DATE: July 29, 2005

FROM: Rick Graham
Public Services Director

SUBJECT: Fleet/Streets Facility Construction Project

STAFF CONTACT: Lamont Nelson 535-6914

DOCUMENT TYPE: Briefing

RECOMMENDATION: That the City shifts its plan to renovate the existing fleet facility to construction of a new facility at an alternative site.

BUDGET IMPACT: Attached are two spreadsheets; one comparing the development costs of the existing fleet site against building on an alternative site, and the other indicating the estimated debt service costs in $1 million increments.

BACKGROUND AND DISCUSSION: A 2002 Council funded audit of the City's Fleet operation recommended that the Public Services Department conduct a feasibility study of the Fleet/Streets Complex to identify site and work area deficiencies, space needs, and space allocation that would result in a more efficient layout and safer work environment. The feasibility study was done and identified 39 facility improvements that needed to be made. The study also estimated that, in 2002, the cost of the improvements would be approximately $7.2 million. This information was presented to the Council and budget was appropriated for schematic design to occur in FY 2004-05 and bonding and construction to follow in FY 2005-06.

Consequently the City hired a consultant to design the project improvements, calculate accurate construction costs, and prepare the bid documents. The schematic design process determined that the construction budget would exceed the original estimate of $7.2 million if all 39 identified improvements were made. Further, the design consultants recommend that 2 of the 39 recommended improvements not be attempted at the current Fleet/Streets Facility because site conditions would not make them feasible.

The design consultants estimated that the remaining 37 facility improvements would cost $9.8 million to construct. (See Attachment "A", Column "A".) In addition to this the design consultants determined that the fuel bay had deteriorated to a poor condition and

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should be improved. The fuel bay was not on the original list of 39 identified improvements from the 2002 study. They estimated the fuel bay renovation would cost an additional $1.5 million though they recommend that it be relocated because of space limitations at the current site.

As the design consultants were finishing the schematic design work for the existing site, the City's Property Management Division brought to the attention of the Department a parcel of land for sale on 500 South, directly across from the Parks Maintenance Facility. The scenario presented by the Property Division was that if the RDA was still interested in acquiring the current Fleet/Streets property, to spur development in its Granary District, the proceeds of the sale could be used to buy the property near the Parks Facility and have additional money left over to offset a portion of construction costs. The RDA confirmed continued interest in the current Fleet/Streets property if it were available, but cautioned that funding the land purchase would be difficult.

The design consultants were then tasked to determine if the new site would be adequate for the Fleet/Streets Complex and to estimate the cost of relocating to the alternative site. They prepared a site plan and estimated construction costs at the new site of $19 million. (See Attachment A, Column D.) The estimated construction cost of $19 million does not include land acquisition. A scenario prepared by Property Management suggests that the existing Fleet/Streets Complex has a sale value of approximately $5.5 million, that the City could purchase the alternative site for approximately $3.5 million and use the $2 million net proceed to bring the net cost of construction at the alternative site down to $17 million.

Even under this scenario, the estimated cost of relocated to the alternative site and building a Fleet/Streets Facility would require additional funding. The following benefits of constructing at the alternative site are worth consideration.

Building a Fleet/Streets Facility at the 500 South site across from the Parks Facility:

- Solves all 39 of the improvement recommendations from the 2002 Council audit and others identified by the design consultant.
- Provides the opportunity to centralize all City fleet operations (Parks and Golf small engine repair are located at the Parks Facility and could be incorporated into the new facility.)
- Centralizes the three largest functions of the Public Services Department - Streets, Fleets and Parks - in near proximity to each other allowing operational efficiencies to take place in warehousing, accounting, inventory control, purchasing, and equipment and employee pooling.
- Enables the City to construct an entirely new and environmentally sensitive facility.
- Results in a facility that is safer and more accessible, with a 24 hour operation for fueling.
- Eliminates one fuel site at the Parks Facility and allows for the addition of a CNG fueling site.

- Allows for extra vehicle and equipment storage (and would allow the City to consider selling the warehouse at the International Center which is currently used for storage.)
- Has room for expansion as operation and storage needs grow in the future.
- Has a use life of 30 years.

It has always been recognized and accepted that the current Fleet/Streets Facility has some existing and long-term constraints associated with it. Renovating the existing site, though desperately needed to provide health, safety, and operational features currently not available, still does not provide the City with a long-term solution to facility needs for these operations and room for growth. The design consultants estimate that even with the proposed current site improvements, within 10 years, additional improvements will be needed because of space constraints and to improve areas of the facility that are not being addressed in this phase of renovation.

Attachment "A" is a Site Cost Comparison of renovating the existing site and construction of a new facility.

Column "A" shows that the existing site (the 37 of 39 improvement recommendations from the 2002 audit) can be renovated at an estimated cost of $9.7 million. A 10 year life is noted in this column because design consultants estimate within 10 years additional improvements will need to be made. Note: the $1.5 million renovation of the fuel bay is not included in this scenario because of site space limitations.

Column "B" is not "real" and is included for comparative purposes. It provides an estimate of what it would cost to improve the entire existing facility and bring it up to a 30 year life cycle, addressing all the facility shortcomings. It is not real because there are maintenance and facility needs that cannot be met at this location due to site restrictions and limitations.

Column "C" demonstrates what the cost estimate would be to bring the existing facility to comparable standards with a new facility if expansion space were available. It includes renovating the fuel bay for example.

Column "D" is the cost estimate of relocating to the alternative site on 500 South.

Attachment "B" is a debt service estimate broken down into $1 million dollar increments and allocated to each Fund that would contribute to the financing of either the current site renovation or the relocation to the alternative site.

Based on this information, it is the recommendation of the department that the City move its Fleet operation to an alternative site. The opportunity to build a new facility that will have a useful life of 3 times the life of renovating the current sub-standard facility, along with consolidation opportunities and growth opportunities seems like a compelling reason to move in this direction.

ATTACHMENT A

SALT LAKE CITY FLEET/STREETS COMPLEX

Site Cost Comparison

June 6, 2005

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		A		B		C		D
		RENOVATION OF EXISTING SITE - 300 WEST 800 SOUTH						NEW SITE - 500 S 1950 W
		Current Budget 10 Year Life		Bring Existing Site to 30 Year Life		To add Off-Site Space 30 Year Life		Proposed New Budget 30 Year Life
Current Basic Project within Budget		Sq. Ft.	Budget	Cost	Budget	Sq. Ft.	Cost / Budget	Sq. Ft. / Budget
Streets Shops and Labs								
Signs, Materials Lab, Streets Storage		22,888	$ 1,106,000	$ 90	$ 2,059,920			
Signal Shops, Meter Repair		3,370		$ 165	$ 556,050			26,500 / $ 4,376,000
Total Street Shops and Labs		**26,258**	**$ 1,106,000**		**$ 2,615,970**	**242**	$ 165 **$ 39,930**	**26,500 / $ 4,376,000**
Fleet								
Light Vehicle		15,275	$ 958,000	$ 50	$ 763,750	7,425	$ 115 $ 853,875	22,700 / $ 2,539,000
Heavy Vehicle		23,988	$ 1,773,000	$ 50	$ 1,199,400	5,012	$ 115 $ 576,380	29,000 / $ 3,318,000
Parts Warehouse		7,676	$ 422,000	$ 50	$ 383,800	4,324	$ 115 $ 497,260	12,000 / $ 2,075,000
Customer Service & Support		5,724	$ 897,000	$ 50	$ 286,200	276	$ 173 $ 47,748	6,000 / $ 1,037,000
Total Fleet		**52,663**	**$ 4,050,000**		**$ 2,633,150**	**17,037**	**$ 1,975,263**	**69,700 / $ 8,969,000**
Covered/Enclosed Storage								
Wash Bay		2,200	$ 259,000	New				2,200 / $ 118,000
Can Wash		1,200	$ 118,000	New				1,200 / $ 81,000
Heated Parking		3,010	$ 188,000	New		190	$ 133 $ 25,270	3,200 / $ 167,000
Vehicle Covered Areas		11,056	$ 433,000	New		3,944	$ 133 $ 524,552	15,000 / $ 489,000
Total Covered/Enclosed Storage		**17,466**	**$ 998,000**			**4,134**	**$ 549,822**	**21,600 / $ 855,000**
Total Building		**96,387**	**$ 6,154,000**		**$ 5,249,120**	**21,413**	**$ 2,565,015**	**117,800 / $ 14,200,000**
Sitework								
Utilities			$ 470,000		$ 250,000	101,567	$ 1.00 $ 101,567	$ 471,000
Paving/Gravel	Acres	8.1	$ 447,000		$ 750,000	101,567	$ 3.25 $ 330,093	11.1 / $ 1,235,000
Emergency Generator			$ 220,000	New				$ 182,000
Total Sitework			**$ 1,137,000**		**$ 1,000,000**		**$ 431,660**	**$ 1,888,000**
Total Basic Project			**$ 7,291,000**		**$ 6,249,120**		**$ 2,996,675**	**$ 16,088,000**
RUNNING TOTAL			**$ 7,291,000**		**$ 13,540,120**	-	**$ 16,536,795**	- **$ 16,088,000**
Additional Funds needed to Maximize the Site								
Streets Administration		4,800	$ 866,000	$ 35	$ 168,000	200	$ 173 $ 34,600	5,000 / $ 826,000
Fleet Administration		1,824	$ 343,000	$ 20	$ 36,480	176	$ 173 $ 30,448	2,000 / $ 346,000
Fuel Oil Boiler			$ 141,000	New				$ 141,000
Fuel Island						7,700	$ 1,104,000	7,700 / $ 1,104,000
Automatic Wash Bay		2,090	$ 409,000	New				2,090 / $ 409,000
Security & Lighting & Misc Improvements			$ 533,000	New				$ 484,000
Covered Storage		3,600	$ 188,000	New				Included Above
			$ 2,480,000		**$ 204,480**		**$ 1,169,048**	**$ 3,310,000**
TOTAL PROJECT COST			**$ 9,771,000**		**$ 6,453,600**		**$ 4,165,723**	**$ 19,398,000**
GRAND RUNNING TOTAL			**$ 9,771,000**		**$ 16,224,600**		**$ 20,390,323**	**$ 19,398,000**

ATTACHMENT B

Fleet & Streets Facility Project
Debt Service Estimates

Project Cost	Annual Debt Service Allocations: GF CIP 69.2%	Impact Fees 3.9%	GF CIP & Impact Fees 73.1%	Refuse Fund 13.0%	Fleet Fund 13.9%	Total Annual Debt Service 100.0%	Fleet bills 60% to GF Depts.
$ 1,000,000	$ 51,405	$ 2,897	$ 54,302	$ 9,657	$ 10,325	$ 74,284	$ 6,195
$ 2,000,000	$ 102,809	$ 5,794	$ 108,603	$ 19,314	$ 20,651	$ 148,568	$ 12,391
$ 3,000,000	$ 154,214	$ 8,691	$ 162,905	$ 28,971	$ 30,976	$ 222,852	$ 18,586
$ 4,000,000	$ 205,618	$ 11,588	$ 217,207	$ 38,628	$ 41,302	$ 297,136	$ 24,781
$ 5,000,000	$ 257,023	$ 14,485	$ 271,508	$ 48,285	$ 51,627	$ 371,421	$ 30,976
$ 6,000,000	$ 308,428	$ 17,382	$ 325,810	$ 57,942	$ 61,953	$ 445,705	$ 37,172
$ 7,000,000	$ 359,832	$ 20,280	$ 380,112	$ 67,599	$ 72,278	$ 519,989	$ 43,367
$ 8,000,000	$ 411,237	$ 23,177	$ 434,413	$ 77,255	$ 82,604	$ 594,273	$ 49,562
$ 9,000,000	$ 462,641	$ 26,074	$ 488,715	$ 86,912	$ 92,929	$ 668,557	$ 55,758
$ 10,000,000	$ 514,046	$ 28,971	$ 543,017	$ 96,569	$ 103,255	$ 742,841	$ 61,953
$ 11,000,000	$ 565,451	$ 31,868	$ 597,319	$ 106,226	$ 113,580	$ 817,125	$ 68,148
$ 12,000,000	$ 616,855	$ 34,765	$ 651,620	$ 115,883	$ 123,906	$ 891,409	$ 74,344
$ 13,000,000	$ 668,260	$ 37,662	$ 705,922	$ 125,540	$ 134,231	$ 965,693	$ 80,539
$ 14,000,000	$ 719,664	$ 40,559	$ 760,224	$ 135,197	$ 144,557	$ 1,039,977	$ 86,734
$ 15,000,000	$ 771,069	$ 43,456	$ 814,525	$ 144,854	$ 154,882	$ 1,114,262	$ 92,929
$ 16,000,000	$ 822,474	$ 46,353	$ 868,827	$ 154,511	$ 165,208	$ 1,188,546	$ 99,125
$ 17,000,000	$ 873,878	$ 49,250	$ 923,129	$ 164,168	$ 175,533	$ 1,262,830	$ 105,320
$ 18,000,000	$ 925,283	$ 52,147	$ 977,430	$ 173,825	$ 185,859	$ 1,337,114	$ 111,515
$ 19,000,000	$ 976,687	$ 55,045	$ 1,031,732	$ 183,482	$ 196,184	$ 1,411,398	$ 117,711
$ 20,000,000	$ 1,028,092	$ 57,942	$ 1,086,034	$ 193,139	$ 206,510	$ 1,485,682	$ 123,906
$ 21,000,000	$ 1,079,497	$ 60,839	$ 1,140,335	$ 202,796	$ 216,835	$ 1,559,966	$ 130,101
$ 22,000,000	$ 1,130,901	$ 63,736	$ 1,194,637	$ 212,453	$ 227,161	$ 1,634,250	$ 136,296
$ 23,000,000	$ 1,182,306	$ 66,633	$ 1,248,939	$ 222,109	$ 237,486	$ 1,708,534	$ 142,492
$ 24,000,000	$ 1,233,710	$ 69,530	$ 1,303,240	$ 231,766	$ 247,812	$ 1,782,819	$ 148,687
$ 25,000,000	$ 1,285,115	$ 72,427	$ 1,357,542	$ 241,423	$ 258,137	$ 1,857,103	$ 154,882

ASSUMPTIONS and SOURCES

The debt estimates above are based on the following information provided by Wells Fargo Brokerage Services on May 23, 2005

Project cost	Other costs*	Par amount	Ave Coupon	Total P&I	Ave. pmt	Pmt per $1M of project	Use for estimates
$ 10,000,000	$ 230,000	$ 10,230,000	3.9852478%	$ 14,900,710	$ 745,036	$ 74,504	
$ 15,000,000	$ 300,000	$ 15,300,000	3.9854123%	$ 22,285,232	$ 1,114,262	$ 74,284	$ 74,284
$ 20,000,000	$ 370,000	$ 20,370,000	3.9853645%	$ 29,671,243	$ 1,483,562	$ 74,178	

20 year period

Estimated coupon rates are based on the bonds being sales tax revenue bonds

* Other costs - Bonds would cover underwriter's discount, costs of issuance, gross bond insurance premium, and surety bond fee