



MEMORANDUM

To: Finance Committee
From: Rich Olson, City Manager
Date: January 22, 2013
Re: Consideration – 2011-2012 Escrow Account Expenditures

BACKGROUND:

During the preparation of the 2011-2012 budget, staff included the purchase of several pieces of equipment and repairs to the Knobbs Creek Recreation Center in an installment purchase agreement. Below is the list of equipment purchased and the actual amount spent. In addition, the cost to do the floor and heating and air conditioning (HVAC) at Knobbs Creek Recreation Center is provided.

<u>Description</u>	<u>Budgeted</u>	<u>Requested</u>	<u>Over/(Under)</u>
CM Vehicle	25,000.00	25,000.00	0.00
Five Police Vehicles	221,245.00	181,675.06	39,569.94
Fire Vehicle	30,000.00	30,000.00	0.00
Inspections Vehicle	20,000.00	18,486.00	1,514.00
KCRC Improvements	325,000.00	191,509.91	133,490.09
P & R Vehicle	21,000.00	20,254.82	745.18
P&R Mowers (2)	76,000.00	76,000.00	0.00
P & R Dump Truck	27,000.00	27,000.00	0.00
P & R Aeravator	10,000.00	8,482.00	1,518.00
	<u>755,245.00</u>	<u>578,407.79</u>	<u>176,837.21</u>
Interest earned			<u>242.23</u>
Balance in escrow			<u><u>177,079.44</u></u>

The City entered into an installment purchase agreement with BB&T for \$755,245. The actual amount spent to date is \$578,407.79. We have a balance in the escrow account of \$177,079.44; and the City may utilize it for other eligible equipment or projects.

In the fiscal year 2012-2013 budget, the City incorporated the cost to repay the interest and principal payment on the \$755,245.

ANALYSIS:

Due to the favorable interest rate and the principal and interest payment already included in the budget, staff would like to propose that the escrow account be spent on equipment and projects. During the fiscal year 2012-2013 budget, the Council decreased the number of requested patrol vehicles from five to two. In this year's budget, the cost of a fully outfitted patrol vehicle is \$44,249. The amount in the escrow account from the savings on the five patrol cars authorized in the fiscal year 2011-2012 budget is \$39,569.94. Staff would recommend that those funds be utilized to purchase a third police vehicle. Any shortfall in the funding would be taken out of the Police Department's salary and wages line item.

The difference in the Inspections Department vehicle of \$1,514 will be used for computer enhancements.

The cost to make heating and air conditioning improvements along with the installation of a new floor at Knobbs Creek Recreation Center was \$191,509.91. The Council budgeted \$325,000 leaving a savings of \$133,490.09 in addition to the equipment savings of \$2,263.18 for a total of \$135,753.27. The primary savings can be attributed to better design work on the HVAC unit by Dennis Gordon and Mohammad Sayemuzzaman.

Staff believes the Council's intent was to spend the money on Parks and Recreation improvements. Staff would like to propose that the surplus funds be utilized to improve the former Mack Sawyer building, which is adjacent to Mariners' Wharf Park. The Council previously authorized a CAMA grant in the amount of \$120,000 to be submitted to modify the building to include restrooms and showers. Unfortunately, the grant was not funded. The escrow funds would be used to supplant the CAMA funds for this project.

If approved by the City Council, staff would prepare the bid documents and place the project out for bids. Once bids are received, we would bring them back to the City Council for approval.

STAFF RECOMMENDATION:

By motion recommend to the City Council that staff be authorized to purchase an additional police patrol vehicle utilizing the escrow account; and

Further, authorize staff to take bids on the renovation of the Mack Sawyer building.

RCO/vdw