

# COUNCIL DECISION REQUEST

SUBJECT: Bonita Street Phase 2

MEETING DATE: September 4, 2008

PAYSON GOAL: NEW:

EXISTING: X

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: LaRon Garrett, Public Works Dir. AMOUNT BUDGETED: \$1,200,000.00

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED: \$1,200,000.00

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED: \$0

  
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EXHIBITS (If Applicable, To Be Attached):

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## POSSIBLE MOTIONS:

There are three potential motions:

I move to direct staff to complete the Bonita Street Phase 2 improvement plans and right of way acquisition but to delay requesting disbursement of the HELP Loan funds and delay bidding and constructing the project up to one year or until funding is secured to repay the HELP Loan, whichever occurs first. If funding is not secured by July 31, 2009, Staff is to bring this issue back to the Council for further direction.

OR

I move to direct staff to move forward with the construction of Bonita Street Phase 2 as originally planned.

OR

I move to direct staff to delay the Bonita Street Phase 2 project indefinitely and to suspend all current improvement plan and right of way work for this project.

## SUMMARY OF THE BASIS FOR POSSIBLE MOTIONS:

Bonita Street Phase 2 is a street reconstruction project to rebuild E. Bonita Street between Highway 87 and Bently Street. This section of roadway is in very poor condition. The plan is to reconstruct this section of roadway with one traffic lane in each direction, a bike lane in each direction, curb and gutter on each side, and a sidewalk on the south side. The project also includes installing a water line and fire hydrants along the project route. The estimated cost of this project is \$1.2 million.

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# ***COUNCIL DECISION REQUEST***

HURF Exchange funds from the Arizona Department of Transportation (ADOT) in the amount of \$268,000 in FY 10-11 and \$500,000 in FY 11-12 have been allocated to this project. In an effort to expedite the construction of this project, the Town applied for a HELP loan in the amount of \$1.2 million in December, 2007. This loan was approved by ADOT in March, 2008. The intent was to construct the roadway in FY 2008-2009 using proceeds from the HELP Loan and then use the HURF Exchange Funds as they became available in 2011 and 2012 for a partial repayment of the HELP Loan. The HELP Loan has a 5 year repayment agreement. A copy of the proposed repayment schedule is attached. To date, the Town has not requested the funds from this loan. The first payment will be due 1 year after the Town requests and receives the loan proceeds.

The improvement plans for the roadway are almost complete. Staff was planning to bid this project in September, 08 and begin work in October, 08. In August, 2008 the Central Arizona Association of Governments (CAAG) notified the Town that all HURF Exchange funds had been frozen by ADOT. Apparently this is due to the current financial situation of the State of Arizona. We were also informed that this freeze is expected to last at least a year and when the freeze is lifted there may not be adequate funding to catch up on the missed funding for some time. It may take several years to get back on schedule.

This freeze creates an issue for the Town of Payson on this project since \$768,000 of the funding intended to repay the \$1,200,000 loan is currently frozen and may not be available in 2011 and 2012 as projected. Without the HURF Exchange Funds, the Town would need to come up with the additional \$768,000 for debt service.

It appears that Town has at least the following construction options to consider concerning this project:

- (1) Proceed with the bidding of the project as planned in September, 2008, request the HELP Loan disbursement and move forward with the project. If the HURF Exchange funds are still not available when the 2011 and 2012 loan payments are due, the Town will need to fund the \$268,000 payment in 2011 and the \$500,000 payment in 2012 from other sources (i.e. General Fund, etc.).
- (2) Delay the project until we can get a definitive answer from the State concerning when the funding may be available again. In conversation with Steve Shaffer who works with the ADOT HELP Loan Program I was informed that we could delay requesting funding on the HELP Loan for a year. Since the original proposal was to request the funding in August, 08 we could delay requesting the funds until August, 09. Mr. Shaffer stated that if we delayed longer than one year we would need to go back to the ADOT Board and may possibly lose the loan.
- (3) Delay the project indefinitely until solid funding can be secured.

If the project is delayed the overall project costs will increase. Traditionally, construction costs increased in the order of 3% - 5% annually. However, over the last three years construction costs have increased 30% - 40%.

Also, there is some right of way acquisition required to construct this project. There are 31 individual properties that we need to obtain right of way from. The cost of each of these right of way parcels vary from less than \$50 to approximately \$9,000. The Town is contacting all the affected property owners and to date four property owners have agreed to sell the Town the necessary right of way. Resolutions accepting that right of way are on the current agenda for Council action. There is funding available at this time in the Public Works – Streets Department budget to acquire this right of way. Staff believes that it would be advantageous to continue procuring the necessary right of way whether we move forward with construction now or not.

Regardless of which construction option or right of way option is approved by the Town Council, it is the opinion of Staff that the improvement plans be completed now. Then even if the project is delayed we will be ready to begin construction immediately when funding is available.

# ***COUNCIL DECISION REQUEST***

Therefore, Staff recommends completing the Bonita Street Phase 2 improvement plans and right of way acquisition but to delay requesting disbursement of the HELP Loan funds and delay bidding and constructing the project up to one year or until funding is secured to repay the HELP Loan, whichever occurs first and that if funding is not secured by July, 2009, to bring this issue back to the Council for further direction.

**PROS:** Reconstructing Bonita Street between Bently and Highway 87 will be a major improvement for the Town.

**CONS:** There is the possibility that if we accept the HELP Loan funds now that the Town could have budgetary difficulties repaying the loan. Delaying the project will allow for an increase in overall construction costs.

**PUBLIC INPUT (if any):** Staff has received numerous comments from the public requesting that this road be improved.

**BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):** N/A

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### **FUNDING:**

Account Number: 202-5-3442-00-6401	Title: Right of Way/Drainage	Amount: \$ 135,000
Account Number: 430-5-3442-00-8737	Title: Bonita Street Imp. (HELP Loan)	Amount: \$ 1,200,000
Account Number:	Title:	Amount: \$
Account Number:	Title:	Amount: \$
		Total Cost: \$

CFO: \_\_\_\_\_ Date: \_\_\_\_\_

# HIGHWAY EXPANSION AND EXTENSION LOAN PROGRAM

## Application for financial assistance

### Section III. FINANCIAL INFORMATION (continued)

Dedicated revenue stream(s) for HELP repayment:  
 Please note: the table may be modified to reflect specific project payback requirements and submitted as a spreadsheet attachment tailored to specific applicant requirements. (Possible 40 points)

Please describe the revenue source for repayment of the HELP loan:

General Funds       HURF Revenues       Excise [sales] Tax       Private Contribution       Other

Principal repayment source	FY Year 1 Principal	FY Year 2 Principal	FY Year 3 Principal	FY Year 4 Principal	FY Year 5 Principal
1. Town of Payson General Fund	\$144,000	\$144,000			\$144,000
2. HURF Exchange Funds			\$268,000	\$500,000	
3.					
<b>Total principal repayment source</b>	\$ 144,000	\$ 144,000	\$ 268,000	\$ 500,000	\$ 144,000
Interest repayment source	FY Year 1 Interest	FY Year 2 Interest	FY Year 3 Interest	FY Year 4 Interest	FY Year 5 Interest
1. Town of Payson General Fund	\$42,000	\$36,960	\$31,920	\$22,540	\$5,040
2.					
3.					
<b>Total interest repayment source</b>	\$ 42,000	\$ 36,960	\$ 31,920	\$ 22,540	\$ 5,040

#### Additional requirements checklist:

(Please provide with the application.)

Formal Recognition of Project Support (as applicable) Resolution No. 2351

Most Recent Financial Statement \_\_\_\_\_