

# MEMORANDUM

To: Selectboard  
From: Peter B. Elwell, Town Manager  
Re: Police-Fire Facilities Project Update  
Date: July 28, 2016



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Since my July 14 update, there has been no change in the overall project schedule or budget. The Police-Fire Facilities Building Committee (PFFBC) also has not met since then. The PFFBC's next meeting will be on August 10. This update provides (1) very positive news regarding repayment of the 2016 bonds and (2) a proposed Contingency Use Policy to establish limits of authority and a proper procedure for any changes to the project budget moving forward.

## **Project Financing**

We have received additional information from the Vermont Municipal Bond Bank (VMBB). They report that that the VMBB's 2016 bond sale "resulted in the lowest cost of financing ever for the VMBB and its borrowers." [Emphasis added.] Our Police-Fire Facilities bonds were sold for an average annual interest rate of 2.732%. The debt service schedules used for decision making by the Selectboard and Representative Town Meeting were based on a projected annual interest rate of 3.269%. This means our actual debt service costs will be lower than we predicted for the full 20-year life of the debt. In the early years, we will save approximately \$30,000 each year. As we pay down the principal, the gross dollar impact of the lower interest rate will be reduced, but the overall savings during the 20-year repayment period will exceed \$400,000. This is an overall savings of almost 4% compared to the expected cost of this debt and it will provide an average annual savings of over \$20,000 per year.

## **Policy for Use of Owner's Contingency and/or Reduction in Project Scope**

On the Wastewater Treatment Plant Upgrade Project and other large scale projects, the Town has formally established a policy related to change orders. We should do that for the Police-Fire Facilities Project, too, except that the terminology will be different due to this being a Construction Manager at Risk project. Since the Town is protected by a guaranteed maximum price under the CM-at-Risk contractual structure, it is very likely that we will complete construction at all three locations without any construction related change orders. However, it is equally likely that we will be drawing on the "owner's contingency" for each project element and we may also achieve savings through scope-of-work reductions at one or more of the locations. Therefore, I propose that the following thresholds apply for all phases of this project regardless of whether the action being taken is a reduction in scope or a use of owner's contingency:

### Less than \$10,000:

*Town Manager may approve.*

*Town Manager will advise the PFFBC and the Selectboard at their next meetings.*

### \$10,000 or more:

*Requires Selectboard approval.*

*Town Manager recommends to PFFBC and PFFBC recommends to Selectboard.*

*Urgent Situations Involving \$10,000 or more:*

*Town Manager may approve after making a finding that delaying a decision would harm the Town due to increased cost, interference with project logistics, or other factors.*

*Town Manager must immediately notify the Selectboard and the PFFBC via email.*

*Town Manager's decision will be reviewed by the PFFBC and ratified by the Selectboard at their next meetings.*

Please note that any use of contingency or any reduction in the contractor's scope-of-work will be subject to review by the administrative project team and to approval by the contractor and the Owner's Project Manager prior to being formally approved by the Town. Also, if it becomes necessary to process any change orders for the services being provided by the Owner's Project Manager, the project architect, or anyone else other than the contractor, we will apply the same authority thresholds and follow the same procedures as those that are set forth above.

PBE:

c: Steve Horton, Owner's Project Manager  
Members of the Police-Fire Facilities Building Committee  
Patrick Moreland, Assistant Town Manager  
Mike Fitzgerald, Police Chief  
Mike Bucossi, Fire Chief  
John O'Connor, Finance Director  
Rod Francis, Planning Services Director  
Russell Rice, Town Assessor  
Bob Fisher, Town Attorney