

TONOPAH TOWN BOARD

WORKSHOP MINUTES

FEBRUARY 29, 2012

Town Board Chairman Jon Zane called the workshop to order at 6:36 p.m. Also present were Horace Carlyle and Duane Downing. Glenn Hatch and Javier Gonzalez were absent. There were eight other people in attendance.

1. Convention Center Project

Susan Dudley explained that the project started with trying to re-roof the Convention Center and it progressed from there. The Town determined through the PAR process that it wanted to do a rehabilitation of the Belvada and additional work on the Convention Center. The Town applied to USDA for loan and grant funding and was awarded \$1,453,000 loan and \$96,000 grant. The Town supplemented that with a request to CDBG for \$250,000. The Town has contributed an amount. The Town is trying to stay within a budget and work through the project.

When the Town started going to the CDBG meetings, the numbers were lower. They were adjusted and increased to include a 10% construction contingency. As the project progressed, the Town decided it needed to match the funding and the project. Susan Dudley noted that at the budget hearings the previous year the Board decided it only wanted to move forward with \$800,000 of the USDA loan. The project was adjusted. The Belvada was adjusted to \$846,016 and the Convention Center was adjusted to \$336,587. As the design progressed, a variety of estimates have come back. Susan Dudley explained that the current numbers of \$1,169,960 for the Belvada and \$409,556 for the Convention Center include the design at 60% with 10% construction contingency and 2.5% on the Belvada for design contingency. She explained that there is a revised scope of work on the Belvada that may or may not work and it is up to the Board to decide. That option is \$946,251 for the Belvada and still \$409,556 for the Convention Center. She explained that work areas 1-5 of the cost estimate totals \$1,570,744. If the Board decided to do just areas 1-3, the cost is the \$946,251.

Susan Dudley explained that the Town match for the project is \$389,992. This is primarily coming from past, current, and future Special Capital Projects funds. She noted that the USDA grant is \$96,966. This is just for the library portion of the project and must be in the Belvada. She explained that the actual USDA loan is \$1,453,000. The Board decided to start with just \$800,000. This has to go to the Belvada first and then to the Convention Center. If the Belvada is not involved, it all goes away. The \$250,000 is the CDBG portion and this is for the outside of the Belvada. It can only be used for this purpose. In total, the Town has total construction dollars of \$1,182,573 and a total project cost of \$1,536,958, which includes the non-construction dollars. She explained that on June 22, 2012, the Board approved construction dollars of \$846,016 for the Belvada and \$336,587 for the Convention Center. If the Town did the project with the Belvada and the Convention Center in full, it would be a total construction cost of \$1,579,236. Based on the June 22, 2011 meeting, this would be an overage of \$396,633. If the Board did the revised

portion of the Belvada and kept the Convention Center intact, Project would be \$173,204 over. She explained that staff has put together some options for the Board to consider.

Duane Downing asked what the basis was for the overages. Brandon Sprague explained that a lot of the overages stem from the schematic design estimate not being as accurate as they would have liked coupled with big gaps that appeared when the design was reviewed. He explained that when they got the designs to 60%, that is when they realized that the gaps were present. The biggest item was mechanical. The original estimate was a little over \$50,000 but at 60%, it was already over \$250,000. The windows and the brick for the Belvada exterior ended up being more tedious and expensive than previously anticipated. Susan Dudley explained that some of the SHPO requirements increased the costs as well. Brandon Sprague explained that Aptus backed up and looked at it from more of a safety first aspect while still taking into consideration the historical aspects. James Eason noted that as of January 20, 2012, the estimate was \$1,172,941. He noted that changes have been implemented to come down from that number. Susan Dudley explained that this is 10% over the cost provided by Aptus. She noted that John King suggested the 10% construction contingency be added.

Brandon Sprague explained that the major change in cost was the exterior of the Belvada. This included looking at the exterior windows and scrutinizing the re-pointing of the bricks and the repair on the west side of the building. They worked at fine-tuning those numbers. Instead of putting the electrical and all of the mechanical systems in the basement, the more economical way is to put the mechanical and the majority of the electrical on the second floor. They broke up the interior into packages and scrutinized the finishes and what can and cannot remain. He noted that in the lobby, all new kitchen equipment will not be added to the existing bar. James Eason explained that by moving the mechanical from the basement to the second floor, the Town was able to address the issue of asbestos abatement. He explained that the Brownsfield identified the old boiler system as well as areas where the Town will have to mitigate asbestos. He noted that the Town has been working with McGinley and Associates to mitigate the asbestos problem for both buildings.

James Eason noted that in order for the Town to occupy the Belvada it has to complete the sheathing for the seismic issue. Brandon Sprague explained that the entire ground floor needs to be taken up to re-brace, frame, stabilize and re-secure the diaphragm and then put it back. In areas with historic tile, the tiles have to be documented, taken up, and replaced in the exact same way. James Eason explained that these are requirements from the State Historic Preservation Office. Susan Dudley explained that the cost estimate reviews show what was taken out to reduce costs and what the new scope of work is. James Eason explained that below the purple glass in the sidewalk in front of the building is a vault. The glass has to be documented and put back in place but the vault below can be filled. He noted that the existing bar is currently plumbed but there is no guarantee that the previous work done can be used because it was not inspected. One cost that has been added is the flood permit from Nye County. He noted that the Town cannot assume that the County will waive it. Susan Dudley explained that the Town already dealt with Nye County on the flood permit during the environmental process.

James Eason explained that in the basement, there are historic ceiling tiles that have to be documented when they are removed. He noted that it costs more to go from under the floor to do the retrofitting than it does to go from above. From an insurance standpoint, the building needs to have a sprinkler system. Brandon Sprague explained that they tried to minimize the costs for floors 2-5 but the fire suppression system needs to be throughout the building. There will be a wet system for the occupied floors and a dry system for the remaining floors. James Eason noted that a backflow preventer is required. Brandon Sprague explained that they will try to reuse what is there for the roof and use a similar system to what was used for the Mining Park. There is still money needed to stabilize and secure the parapet.

James Eason explained that Phases 1-3 covers the work on the outside of the building and the work needs to be done regardless. Susan Dudley explained that the first phase of work is the outside of the building because it has to be stabilized before it can be occupied. She explained that the phases were broken down to see if there were areas that can be left undone for later. She explained that the Brownsfield identified asbestos in the building so one of the unknown costs was the cost of removing it. She noted that the EPA will provide funding to mitigate the asbestos.

James Eason explained that the number one priority for the Convention Center is the roof. There were also issues with SHPO for the Convention Center. Cheryl Couch explained that as USDA was completing the environmental review process, SHPO required more detail than in the past. This involved a lot of photographs and documenting the views of parcels of land surrounding the Convention Center and views of the Convention Center from the roof of the Belvada to see what properties would and would not be affected by the renovations.

James Eason explained that the Town is looking at completing the environmental review of the Convention Center. Susan Dudley explained that she requested two proposals from McGinley & Associates for the Convention Center. One proposal is for the roof and one is for the rest of the building so the Board decides, there is a proposal to cover it. James Eason explained that there is blocking required for the seismic issue for the Convention Center. Another exit has to be added to the building. Sara Rind explained that a ramp is needed from an exterior door at the raised portion of the floor to lower people down to finished grade. This is to address an existing fire exiting issue. Additional upgrades for the exiting include adding exit signs. James Eason explained that the new exit has to be added because the partitions limit access once they are closed.

Susan Dudley explained that the \$409,000 for the Convention Center includes the roof, the heating, the air conditioning, the electrical, and a few other things. Duane Downing noted that the cost has gone up from \$336,000 to \$409,000. Susan Dudley explained that there are no additional items but the cost of how this was looked at has gone up.

Horace Carlyle asked if the Town has taken possession of the building. James Eason explained that the Town has not yet taken possession. The Town asked Nye County to hold back on filing the documents. All the Town needs to do is ask the County to file the documents and pay the fees and the building will be transferred to the Town.

Susan Dudley explained that she put together options for the project from one end of the spectrum to the other with other options in the middle. If the Town did all of the Belvada and \$409,556 of the Convention Center, as approved on June 22, 2011, the total cost would be \$1,579,236. This is \$396,000 over budget. This is including the 10% construction contingency and the 2.5% design contingency on the Belvada. She noted that Aptus felt comfortable enough in the numbers in the cost estimates to reduce their 5% contingency down to 2.5% on the Belvada. She noted that the construction contingency and the design contingency may not be used. The reason the construction costs have to be paid up front is because at the end of the process, the Town will close on the USDA loan for the amount it really cost. She explained that the Board and the Town have to make the decision based on the highest scenario so that if all of the contingency has to be used and the bid comes in as high as the estimate, there is money to account for that.

Susan Dudley explained that when the Board decided to go forward with \$800,000 of the \$1,453,000 USDA loan, the annual debt payment, debt service, and debt reserve would be \$50,895. If the Board increased what was originally talked about on June 22, 2011, the \$800,000 of the \$1,453,000 loan commitment by USDA by the overage amount, the Town would be taking a \$1,196,633 loan instead of the \$800,000. The debt payment would go from \$50,895 to \$76,000 per annum. On June 22, 2011, the Board decided that the Town could afford the \$50,000. She explained that over a ten-year period, the Special Capital Projects Fund averages \$37,000 per year. The Town felt safe at the time contributing \$35,000 per year. This would cover part of the loan. The Town has to pledge a guarantee for debt repayment. It was going to pledge room tax. The Town would then going to supplement the room tax that went to the debt through a reduction in utilities. She reiterated that if the Board increased the loan amount to cover the overage, the debt payment would be \$76,000 per year. If the Board increased the loan amount by \$100,000 bringing it to \$900,000, the debt payment would be \$57,000. She explained that with this amount the Board could consider cutting back to \$200,000 for the Convention Center. This would be enough to replace the roof and cover a few other issues. She explained that at budget workshops last year for the current fiscal year, the Board put aside \$98,000 to cover the first year's debt plus a little more. She explained that if the Board increased the loan amount to \$900,000, cut back on the work for the Convention Center, and contributed the \$98,000, this would still work. Another option is to increase the loan amount by \$153,000, bringing the debt payment to \$60,634, but still leaving the \$200,000 for the Convention Center and contributing \$43,000 of the \$98,000 debt. This would leave a balance to start the year off for debt. If the Board reduces the Convention Center, there are a few options for later. The Town can reapply to USDA for another loan later. Another option is for the Board to add another line item to the Convention Center section and, when it builds the budget each year, contribute whatever it feels comfortable with to help cover specific items or repairs to the building.

Susan Dudley explained that the Board has the option of reducing the scope of work on the Belvada to just areas 1-3. Area 1 covers securing the outside of the building. Area 2 covers the infrastructure of the building, including the mechanical, electrical, and plumbing. Area 3 covers finishing the construction of the library/business component and the bathrooms. This would leave two rooms unfinished. If the Board did this, they could increase the loan amount by the whole overage of \$173,000. This would bring the loan payment to \$61,000 per year. If the Board

increased the loan amount by \$100,000, bringing it to \$900,000, there would be a \$57,000 per year debt payment. She explained that the \$98,000 set aside for debt payment could go to fund the overage for the Convention Center. The Town could fund areas 1-3 on the Belvada with only \$7,000 more in debt. If the Town does not do the Belvada and decides to just do the Convention Center, it will have to reapply to USDA. When the application was made to them, it was for the Belvada and surrounding property. When the surrounding property went away, USDA considered and approved adding the Convention Center instead. The Board can use the grant for the library and the loan for the Belvada and the Convention Center, but if the Board decides not to use the Belvada, it needs to reapply to USDA for money for the Convention Center. She explained that the Board has the option of withdrawing everything and reapplying to USDA to see if the Town can get a lower interest rate. She noted that the Town still has the CDBG money so there are a few things it has to do. The Town will have to ask for an extension of time to take the first draw. The Town could also move forward with the CDBG portion of the project while reapplying to USDA.

Susan Dudley explained that if the Town puts other entities, such as the Town and TPU offices in the Belvada it would eliminate the operation costs of \$6,000 - \$8,000 per year for heating, propane, etc. By putting TDC in the Belvada, it would eliminate some of the costs at the Old Firehouse. She explained that USDA was fine with this and as long as the office space did not exceed 25% of the space, CDBG would allow this. James Eason explained that the Town does not yet have all of the details from CDBG for this option. Susan Dudley explained that there is the possibility of moving some of the offices into the Belvada along with the library space and the Convention Center rooms and save utility costs. If the Board increased the loan amount and increased the room tax to pay a higher loan amount, it would be offset by the savings in utility costs. She noted that the energy costs for the Belvada has already been identified, maybe not as high if all the entities were moved in, but there will not be multiple buildings. James Eason explained that there would also be reduced building maintenance. James Eason explained that the building the Town Offices are currently in has not really been upgraded. The costs of working on or upgrading that building would go away with this option.

Horace Carlyle wanted to know the risk of unforeseen costs of a large magnitude. Brandon Sprague explained that the only seismic upgrades being done to the Belvada are to the ground floor. He noted that this is part of the reason for keeping the 2.5% design contingency in the cost estimates. If the Board decides to go forward with this, Aptus still needs to make one more trip up to verify a few things. He explained that they are as confident as they can be at this point that they accommodated all issues for the ground floor. Horace Carlyle wanted to know what the real figure for the Belvada is with doing all scopes that were originally proposed and the minimal number of reductions that can be made for improvements on the design to save costs. Susan Dudley explained that the total cost for the Belvada to do everything as originally directed on June 22, 2011, is \$1,169,680. To do everything on the Convention Center as directed by the Board on June 22, 2011, is \$409,556 for a total project cost of \$1,579,236. She explained that these numbers have been reviewed by two cost estimators. She explained that the Town has committed \$319,385 to architect fees, \$20,000 for the engagement fee, \$15,000 for project management, and \$35,607 for construction costs. She noted that the \$249,000 for this year has been committed. Duane Downing noted that to do the entire project, the Board would have to

increase the loan amount by \$396,000 to \$1,196,633. Susan Dudley explained that for a \$1,196,633 loan, the debt repayment would be \$76,000 annually. This is \$26,000 more than the Board discussed on June 22, 2011. She pointed out that this would also give the Town the whole building. She explained that there is no guarantee of cost savings but if the Town moved offices into the building, there would be one building to heat, one building to maintain and this could be a cost savings of \$12,000-\$27,000 depending on who was moved in. Duane Downing wanted to know if there is enough space on the first floor of the building to move the Town offices in and keep it under 25%. Susan Dudley explained that this is not yet known.

Jon Zane wanted to know if the square footage of the basement could be combined with that of the first floor. James Eason explained that the utilization of the basement is very limited because of the cost. He noted the two cost estimates are a reduced estimate to get to the current numbers. Jon Zane explained that the financing the Town is getting is for the basement and the first floor. Susan Dudley explained that regardless of whether the offices occupy the basement, there is still money being put into it. Horace Carlyle explained that the same argument could be made for the entire building because of the fire suppression system. Susan Dudley explained that the Town receives approximately \$35,000 per year for Special Capital Projects. She explained that the Town has to pledge that whole amount. This leaves \$41,000 that will come from Room Tax. She explained that the Town has to create the debt repayment and debt service funds. She explained that room tax generates approximately \$28,000 per year at 5/8%. She explained that a whole percent generates approximately \$32,000 per year.

James Eason recommended that the Board take a week to review all of the information provided. Susan Dudley explained that the Town has to be under contract by July 1, 2012. She explained that Aptus has to finish the design. They are currently at 60% and they have to go up to 90%. That 90% has to be given to the agencies for review. The contract documents have to be prepared by Aptus and then reviewed by the agencies. The advertisement has to be in the paper by May 1, 2012 and advertised for 30 days. All of the bids that come in have to be reviewed to make sure all documents and licenses are in place. The documents will then come back to the Board to award the bid. The Town will then start the contract period.

Horace Carlyle wanted to know if Aptus foresaw a major cost increase after coming to the building one more time. Brandon Sprague explained that they do not foresee any major cost increases and that they feel comfortable relative to the exterior and seismic of the Belvada. They feel this is closer to 80%. Those things needed to be established early on before doing anything else. Susan Dudley explained that if the bids for the project come in higher than what there is funding for the Board can stop the project. The Town is not committed until it awards the bid. Cheryl Couch explained that if the bids come in higher and there truly is not sufficient funds, what the Town is out are the funds it has already expended.

2. Public Comment

No action taken by the Board.

Tonopah Town Board Workshop

February 29, 2012

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3. Adjourn

Workshop was adjourned at 8:07 pm.

Minutes transcribed by:

Mariah Rivero

Approved:

Jon Zane, Chairman

Horace Carlyle, Vice Chairman

Javier Gonzalez, Clerk

Glenn Hatch, Member

Duane Downing, Member