



MEMORANDUM

Date: October 17, 2012

To: Chairman and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Update on Joint Justice/Municipal Courts Complex**

Attached please find a letter and report from the Tucson City Manager dated October 15, 2012 regarding City of Tucson participation in the Joint Justice/Municipal Courts Complex (JJMCC). The letter and accompanying materials are self-explanatory.

The City will participate in the JJMCC project with the condition that they not pay any portion of the project shortfall for the tower, shell or tenant improvements for the City – an expense to be borne by the County. This matter is on the City Council's agenda for October 23, 2012 for review and discussion.

I will place the matter on a meeting of the Board of Supervisors in November 2012 to discuss the City's proposal and receive direction from the Board as to how to proceed.

Since the Bond Advisory Committee specifically requested an update regarding the JJMCC project, I am providing you with the latest information I received from the City of Tucson.

CHH/mjk

Attachment

c: The Honorable Chairman and Members, Pima County Board of Supervisors
The Honorable Sarah Simmons, Presiding Judge, Superior Courts
The Honorable Keith Bee, Presiding Judge, Consolidated Justice Courts
Kent Batty, Court Administrator, Superior Courts
Lisa Royal, Court Administrator, Consolidated Justice Courts
Reid Spaulding, Director, Facilities Management



**CITY OF
TUCSON**

OFFICE OF THE
CITY MANAGER

October 15, 2012

Chuck H. Huckelberry
Pima County Administrator
130 W. Congress
Tucson, AZ 85701--1317

RE: Realistic Scenario for Joint Court Occupancy

Dear Mr. Huckelberry:

Discussions started more than 10 years ago about building a joint courts complex because both Pima County Justice Court and Tucson City Court were in need of better facilities to serve the community. The idea of building one complex that could house both functions seemed like an efficient solution for the tax payers of our region. The project, termed the Joint Justice/Municipal Courts Complex (JIMCC), was approved by the voters as part of the 2004 Pima County bond election.

History of the project, changes from original intent and capital shortfall

There have been many changes since 2004 that have affected that original intent. I have attached here a list of actions and adjustments that have taken place over the years, affecting the scope and finances of the project (Attachment A.) These have included several re-designs of the building and higher than expected costs in some areas such as archeology. The \$91 million budget approved by the voters has proven insufficient. What is under construction now is a shell tower that will not include space for all functions originally intended to be in the building. All bond funds will have been expended prior to completion of the shell and build out of the interior [i.e. walls, ceilings, lights, cabling etc. – these are termed by the County as Tenant Improvements (TI).] You have communicated to us that if the City intends to occupy the complex, we must plan to contribute money to cover the shortfall in capital costs to complete what is under construction and certain additional costs such as water main replacement and undergrounding of overhead electrical facilities.

The proportionate share for division of project costs has now been set at 54% City and 46% County based on the amount of space each entity is to occupy in the building under the current design (exclusive of common areas.)

As a tenant of the County-owned building, the City had anticipated paying Operation & Maintenance (O&M) costs and contributing to moving and Furniture/Fixture/Equipment (FF&E) costs. However, sharing in the shortfall in capital costs was not contemplated nor was the need to pay for alternative space for the City Prosecutor and City Public Defender, critical functions connected to City Court that are no longer programmed in the complex.

City Financial Issues

We have communicated to you that several factors affect our ability to allocate funds towards the JIMCC capital expense shortfall. These include:

- The severe budget cuts we have been forced to take as a result of the financial crisis of the past few years, resulting in the loss of close to 1000 City jobs and eliminating \$27 million from the general fund budget without a decrease in demand for core services.
- The multiple commitments we must fulfill in FY2014 and 2015, including but not limited to the start of operational costs for the modern streetcar; covering the costs for what are now grant-funded police salaries; and public safety retirement payouts that will hit in large numbers during these same years. We also intend to incrementally address compensation

issues for City staff who have endured furloughs, increased benefit costs and no pay increases for five years prior to FY13.

- The fact that we are unable to borrow funds in the market for this capital expenditure because we are not owners of the building but rather tenants.
- The City's need to pay to relocate/house the Public Defender and City Prosecutor offices even if we move City Court operations into JJMCC.

City staff members have had multiple discussions in the past year both internally and with County staff, looking at proportionate space needs and costs and funding alternatives as well as location alternatives for City Court and the City Prosecutor and City Public Defender. While at one point we thought that funding from the next County bond election could result in a lesser amount of bridge financing to be paid for building completion (per your memo of November 8, 2011), in your February 2, 2012 memo and August 24, 2012 memo you stated that the City and the County should make plans to pay for the capital costs through annual payments since an election would not be likely until November 2014.

Alternatives Developed in summer 2012

We have reiterated on several occasions that the City has not yet committed to moving into the joint Courts Complex and you have acknowledged that our use of the facility for City Court is fully at our discretion and subject to entering into an appropriate operating and maintenance agreement and finding a mechanism to cover capital costs.

Three months ago we provided you with alternatives we prepared for our elected officials based on the joint City-County staff work and additional internal analysis (see attachment B.) In your memo of August 24, 2012 and in our in-person discussion on August 27, 2012, we spoke of some possible downward adjustments to the numbers we developed, including the interest rate to be charged to the City for advancing Pima County funds to cover what you determined to be our share of the capital shortfall; the length of time the City would have to pay back the Pima County general fund for the capital costs advancement loan; and a possible reduction in the Court security cost estimate.

We inquired of Reid Spaulding this past week about any other changes or lower costs we could use in our planning, and he responded that any construction savings have been offset by increased water and sewer utility costs; that tenant improvement (interior build-out) costs will not be known until the County is in a position to actually contract for the work and to determine if the improvements will be for County as well as City functions; he reiterated that security costs could be lower but that getting to a number would involve Judges and Court Administrators conferring on that issue; and he stated that higher electric utility rates (+15%) are being anticipated.

Updated options and one realistic scenario for joint occupancy

Based on all of the discussions and data exchanges described above, we have revisited our cash demand forecasts for the upcoming fiscal years and re-worked our Court financial scenarios once more. (See attachment C.)

Note Option 4, which we have concluded is the option that will realistically allow City Court to move in to the joint courts complex and thus fulfill the original intent of the project. Elements of this option are as follows:

- The City pays its share of O&M costs as determined by City and County staff in detailed discussions and analysis over the last 6 months, although a lower cost for security has been factored in.
- The City pays for its FF&E and move-in costs, and retains a factor for future City FF&E replacements.
- The City pays for lease costs for housing the City Prosecutor and Public Defender offices.

- In order to cover the additional O&M and moving and FF&E costs, the City will need approval from the Mayor and City Council to raise the City Court case processing fee and to divert other Court funds that would normally go to the City general fund.
- The above fee increase and diversion of funds will not be sufficient to pay for more than the increased O&M and moving and FF&E costs, therefore this option does not include the City paying any portion of the capital costs shortfall nor any interior build out (TI) costs. The rationale is that if the County general fund will be used to pay for the shortfall, City tax payers are also County tax payers and should not have to pay twice for the use of funds they have paid for already through their property taxes.

Remaining in current City Court building as an alternative

We recognize that remaining in the current City Court building is not an ideal situation but we realize it is an option we have available to us to avoid increased costs we cannot afford. The same is not true of other City needs that will be competing for limited general fund dollars in 2014 and 2015 (we do not have an alternative to paying for police salaries that are now covered with grant funds, for example.)

Discussion this week

I am available to talk with you this week about this matter. We have scheduled a discussion of the joint courts complex at the Mayor and City Council meeting on October 23rd. I urge you to give serious consideration to the realistic scenario presented here (Option 4) which will allow us to move forward jointly with this project for delivery to the public as indicated in the 2004 bond program. Without the consideration of Option 4, the other options available are alternatives we cannot afford.

Sincerely,



Richard Miranda
City Manager

LRM/RM

Attachments:

- A. JJMCC 2004 Bond Project: List of Communications, Actions and Adjustments B1 – B5. Updated as of 6/19/12: Summary and Project Cost Analysis; O&M Estimates; Projected Annual Cost for 1st Year of Operations; Financing Options-Cause and Effect; Options-Projected Capital Costs & Cash Demands Comparison
- C. Options-Projected Capital Costs & Cash Demands Comparison Chart, 10/15/12

- c: Honorable Mayor and City Council Members
Liz R. Miller, Deputy City Manager
Kelly Gottschalk, Chief Financial Officer/Assistant City Manager
Albert Elias, Assistant City Manager
Honorable Tony Riojas, Chief Magistrate, Tucson City Court
Christopher Hale, City Court Administrator
Silvia Amparano, Finance Director
Ron Lewis, General Services Director
Mike Rankin, City Attorney
Tim Murphy and Hector Martinez, City Real Estate Division

Attachment A - Joint Justice/Municipal Courts Complex (JJMCC) 2004 bond project

Communications, actions and adjustments: November 2011 to present

- In a memo dated November 8, 2011, the County Administrator presented his detailed report with historical data about the Joint Justice/Municipal Courts Complex (JJMCC) project since its inception as a 2004 voter-approved bond item. It included a delineation of financial issues. It also put forth two options for proceeding with the project and stated that there was no right or wrong answers regarding the alternatives. The two options were:
 1. Bridge, or temporary, financing to construct the building shell, physical plant and site improvements (Phase 1) beginning in early January 2012. It was stated that action by both the City and County was necessary by early December 2011 in order to award a Guaranteed Maximum Price Contract for the Phase 1 improvements.
 2. Delayed implementation until a future, supplemental bond authorization, which would not likely occur until 2014 at the earliest.
- City staff took the County Administrator's proposals and accompanying documentation to the Mayor and City Council for consideration at their December 13, 2011 meeting. The City Council did not reach a decision on either option, but instead directed staff to continue conversations with Pima County for clarification of the outstanding issues regarding the project.
- In early 2012, the Board of Supervisors issued a contract for construction of Phase 1 of the JJMCC and work began in February 2012.
- On February 3, 2012 two memos were received from the County: "Financing of the JJMCC Shell and Tenant Improvements" and "Joint Justice/Municipal Courts Complex Financing." These referenced:
 - Monthly payment being made to Sundt Construction beginning February 1, 2012.
 - Use of County General Fund dollars after bond funds are exhausted, and accrual of capitalized interest for any money advanced either for the County portion or the City portion.
 - It is unlikely that there will be a County bond issue by 2013, making any money paid toward completion of the building less likely to be reimbursed by a future bond authorization.
 - Additional charges above and beyond the Sundt Contract (including the potential undergrounding of overhead electrical facilities along Toole) to be paid proportionately by each occupying jurisdiction.
 - The County's repayment of \$9.8 million of Joint Justice/Municipal Court Complex bond funds previously used for Superior Court expansion and Pima County adult probation relocation back into the fund accounting for the JJMCC project. [It was also stated that the County was assuming that the County would not transfer \$4.4 million to the City for another joint bond project.

PCWIN as had been previously agreed, in order to have uniformity and consistency with regard to bond funding: if the County was not to use bond funds for Superior Court because that use was not contained in the bond question, then the County should not advance money to be used for improvements at the City's Price Service Center to support City and County PCWIN needs because that was not included in the PCWIN bond language. The \$4.4 million in PCWIN funds was subsequently transferred to the City.]

- The County Administrator responded on February 24, 2012 acknowledging that construction had begun and stating the expectation that construction would be completed with County funds advanced for County Justice Court uses within the facility, as well as possible future City Court uses.
- Further, the statement was made the City's use of the facility is fully at the City's discretion and subject to entering into an appropriate operating and maintenance agreement regarding the use of space allocated to the City, as well as repayment of funds that may be advanced by the County on behalf of the City to complete construction.
- On April 6, 2012 a memo regarding "Traffic Flow on Stone Avenue and Alameda Street" was received from the County Administrator, addressing how any change in two-way traffic plans would affect the designed entrance to the parking garage for the Court complex.
- A July 24, 2012 memo from the County Administrator referenced additional expenses incurred for JJMCC project associated with replacing Tucson Water's aging water transmission line to achieve firefighting well requirements and notifying the City it should be prepared to pay its share. Also stated was the County expected the installation of the new water transmission mains by the County to be protected mains with no other connections allowed with the County being reimbursed the excess costs associated with this work. The estimated costs at that time were \$250,000, subject to change.
- On July 30, 2012 the City Manager sent a memo to the Mayor and City Council Members in anticipation of a discussion to reach a decision on the joint courts complex at the first Council meeting in September. This included attachments presenting different scenarios and costs models.
- The same materials were sent as an attachment to a letter to the County Administrator with a request for final review and a meeting prior to presentation at Study Session on September 5th.
- On August 24, 2012 the County Administrator responded with a letter clarifying several points contained in the scenarios and cost models, including:

- The fact that tenant improvement costs would not be determined until approximately August 2013; possible downward adjustment to the security cost estimate
 - Recommendation that the capital reserve amount included in City estimates be eliminated for \$2.3 million in costs savings
 - A possible lower interest rate to be charged the City for any money advanced to pay a share of capital costs that remain after bond funds are exhausted
 - Reiteration that a 2013 bond election/bond authorization is unlikely and that November 2014 is the soonest date contemplated.
 - Also recommended was discussion of the benefits of the JJMCC in terms of public convenience, reduced operating costs and increased efficiency associated with joint court operations and management of services.
- A meeting was held between the City Manager and County Administrator and City-County staff members on August 27th to review the scenarios and cost models referenced above and to discuss points included in the August 24 memo from the County Administrator. In addition to the elements delineated above, other points discussed were possible lower costs for construction and/or tenant improvements, per the County Facilities Management Director; potential revenues to be raised by the City via additional court fees (an idea advanced by Presiding City Court Magistrate Tony Riojas); and the possibility of applying future garage revenues to the building shell capital cost shortfalls (the garage is a separate project from the JJMCC, being constructed and funded exclusively by Pima County.)
 - In order to have time to consider the additional ideas brought forward in the late August discussions, the City Manager's office decided to postpone the discussion scheduled for September 5, 2012 Study Session. This was communicated on August 28, 2012.
 - City staff from City Court, Real Estate, General Services, Finance and the City Manager's office has worked in the past two months to re-look at upcoming cash demands and Court costs and alternatives, based on the information received in August and as recently as the week of October 8, 2012. A new set of scenarios has been developed including an Option 4, which we have concluded is the most realistic option that will allow City Court to move into the joint courts complex. Elements of this option are as follows:
 - The City pays its share of O&M costs as determined by City and County staff in detailed discussions and analysis over the last 6 months
 - The City pays for its FF&E and move-in costs, and retains a factor for future City FF&E replacements.
 - The City pays for lease costs for housing the City Prosecutor and Public Defender offices.
 - In order to cover the additional O&M and moving and FF&E costs, the City will need approval from the Mayor and City Council to raise the City Court case processing fee and to divert other Court funds that would normally go to the City general fund

- The above fee increase and diversion of funds will not be sufficient to pay for more than the increased O&M and moving and FF&E costs. therefore this option does not include the City paying any portion of the capital costs shortfall nor any interior build out (II) costs. The rationale is that if the County general fund will be used to pay for the shortfall. City tax payers are also County tax payers and should not have to pay twice for the use of funds they have paid for already through their property taxes.
- New scenarios transmitted to the County Administrator on October 15, 2012.
- Discussion of the City's position with regard to the JIMCC is scheduled for the October 23, 2012 Mayor and Council Study Session.

Communications, actions and adjustments: August 2004 to October 2011

- May 2004: Pima County voters approved \$76 million bond; cost estimate \$91 million before parking garage
 - Anticipated City contributing revenue from sale of existing city court building to the new project (\$4 million.)
 - Designated a Joint Management Committee for needs determination, space definitions and planning, functionality, and operational and financial synergies (Representing the City on this committee were Ron Lewis, Presiding Magistrate Tony Riojas and then-Court Administrator Joan Harphant. Christopher Hale, current Court Administrator, replaced Ms. Harphant when she retired in 2011.)
- Fall 2004: Joint Management Committee started meeting: Pima County Superior Court Presiding Judge Leonardo was the chair. Committee responsibilities clearly focused on space and operational needs plus functionality. Developing joint operational methodologies and policies was a continual committee self-challenge.
- Nov 9, 2004: Judge Leonardo letter to City Manager Jim Keene and County Administrator Chuck Huckelberry requesting confirmation of proposed occupants for new building.
- Nov 18, 2004: County Administrator response was to include County Defenders and others. Letter also states "If that requires a larger building and more funds, than that is a task I am prepared to tackle."
- Dec 3, 2004: City Manager response was to include City Prosecutor and City Public Defender and "perhaps others..."
- Committee participated in Architecture & Engineering (A&E) selection process. All actual decisions and contracting was clearly Pima County's action. Overall project management was clearly the responsibility of Pima County's Facilities Management (FM), directly reporting to the County Administrator. Through the various discussions

and activities, it was clear that both courts were going to be tenants of Pima County FM, i.e. the landlord.

- The A & E work was under Pima FM direction, with FM and the consultant coming to the Committee when necessary to show progress and receive planning and design input/feedback.
- June 14, 2005: MOU signed by the City Manager, County Administrator and Judge Leonardo regarding the role of the Joint Courts Complex Management Team (JCCMT):
 - "...provide guidance and direction to the design and construction of..."
 - "...control and expenditure of County bond funds is under exclusive control of the Pima County Board of Supervisors..."
 - "...intent to enter into an Intergovernmental Agreement in the future..."
- Nov 27, 2006: County Administrator Memo to county FM Director referencing City desire to include City Prosecutors and Public Defenders in the building. He states that is not financially feasible, but requests FM to consider allocating Public Works Building space to that purpose on assumption much of that building would be vacated. (City-only meeting 12/7/06 concluded it was possible if all other move scenarios played out.)
- Concept planning took the committee through both specific space sizing and layouts as well as building configurations and massing on the site. There was much discussion on potential costs and cost reduction alternatives. Two concept designs were considered before the committee selected a single, preferred plan.
- As Pima FM and the A&E were proceeding from concept design to design development, FM announced that the County Administrator and City Manager Mike Hein had directed a new concept layout. After much discussion and expressions of concern, the committee focused on the details of incorporating courts needs and wants into the new configuration. It was apparent from the drastic concept change that costs would be higher than the earlier design.
- The new concept was refined and design development launched. With more detail, the Pima County's estimators determined the costs were \$140 million or more. Pima FM and the A&E then entered the value engineering process.
- Archeological costs were escalating and building costs were being forced downward. It was clear that the project as designed to that point could not be completed with the remaining bond funds.
- At some point in 2008 the committee learned that \$12 million of bond funds was allocated to renovate existing Superior Courts areas.
- About this time the County's previous FM Director retired and current Director Reid Spaulding was hired. Spaulding proposed a new concept to lower the costs that the

County Administrator accepted: reduce building size to 2018 projected needs and plan for a second phase of courtrooms for whenever the needs grew.

- Reid Spaulding approached Ron Lewis about the County building the project's Energy Plant early to take advantage of low construction costs, proposing that the City could use the plant for its needs until moving into the new building. Conversations indicated the County would expect the City to pay Plant O&M costs until the new courts facility was operational, thereby saving the City the costs of replacing faulty equipment until the existing building was vacated. With no assurances of timely building completion and immediate need to improved system performance the City said "no", and went ahead with HVAC and elevator repairs/replacements.
- County requested Bond Advisory Committee allocate more funds (\$50 million) to this project, asking for voter approval at the next bond election in 2012 or 2013; County Bond Advisory Committee agreed
- In 2010: Reid Spaulding started talking to the Management Committee about building a shell to take advantage of the construction market. He indicated that if bonding could not be obtained to complete the shell and interior finish/furnishings, the tenants would be charged a capital lease charge to pay the debt service.
- Late 2010: County Administrator requested City help with the project financially. Per Deputy City Manager Miranda letter of 12/20/10, the City could not financially support the project at that time.
- Early 2011: County pressed then-City Manager Mike Letcher to pay for the water line improvements needed for fire sprinkler capacity to the new building. At meeting in the City Manager's Office, County Administrator confirmed whatever costs could not be covered by bonding would be recovered from tenants via capital rent charges.
- County FM continued moving forward on the design and construction contracting for the two step approach: shell now, tenant fit-up later. Briefed Management Committee in August 2011 that GMP was close and hoped to start construction by new calendar year.
- October 2011: County Administrator sent a report to the City, asking for City financial help with project. This started extensive internal discussions.
- Joint Management Committee meeting held in November 2011. New Chair, Pima County Superior Court Presiding Judge Kearny, asks for a Committee vote on the proposed two step approach (build shell first, build out later.) City reps indicated they could not speak for the Mayor & Council so could not provide a City position on the issue. Following discussion, including concern about going forward with construction of a shell with no assurance of completion, a compromise committee statement was developed by a county committee member and supported by all members. (This did not reflect City member's abstaining from taking a binding position without Mayor and City Council approval, but that was clarified after the fact in a letter from Judge Riojas.)

SUMMARY AND PROJECT COSTS ANALYSIS - Joint Courts Facility

Updated as of JUNE 19, 2012

Assumptions

In the discussions with Pima County, concerning space allocation, the penthouse, exterior walls and the central plant of the building have been excluded. These areas will not be considered in the calculations that will determine the basic "Rentable Area" definition for the City and County. The term Rentable Area is the sum of the Office (and Exclusive use) Area plus pro-rated (Floor and Building) Common areas. For discussion purposes the following areas will be utilized:

COT Exclusive Use Area (Sq. Ft.):	85,973	COT @ 54% =	46,311
County Exclusive Use Area (Sq. Ft.):	73,133	P.C. @ 46% =	33,852
	159,106		
Shared Common Use Area (Sq. Ft.):	100,753		
Total COT Rentable Area (Sq. Ft.):	119,444		
Building (Sq. Ft.):	259,859		

The initial Phase One shell contract amount of the Joint Courts Facility is \$48 million. Remaining bond funds available for the contract are \$35.8 million. The remaining \$12.2M needed for this phase of construction is intended to be funded through use of County general funds and payment of same to be distributed based on percentage use of space between the County & COT. Additionally, based on preliminary estimates (50% Drawings), \$28 million will be needed to complete the build outs (tenant improvements). This amount is also intended to be funded through use of County general funds and payment of same to be distributed based on percentage use of space between the agencies.

Shared Phase One Cost Calculations:	\$ 12,200,000	COT @ 54% =	\$ 6,592,271
		P.C. @ 46% =	\$ 5,607,729
Shared T. I. Cost Calculations:	\$ 28,000,000	COT @ 54% =	\$ 15,128,813
		P.C. @ 46% =	\$ 12,870,187
Total COT Construction Costs:	\$ 2,722,084		
Total County Construction Costs:	\$ 18,477,912		
Total County General Funds Utilized	\$ 40,200,000		

Pima County Facilities Management
Annual Facilities O&M Estimate
Joint Courts Facility

Account	Description	Amount
5400	On Site Salaries & Wages: (1.5 FTE Maintenance Techs & Property Manager)	92,278
5431	Benefits (30% of salaries)	29,242
5430	Intra-departmental Salaries (to Electricians, HVAC, Plumbers other than downtown Mntc.)	11,400
5428	Intra-departmental Benefits	3,600
	Interdepartmental Salaries (to IT, AV, Mailroom & Loading Dock other departments outside of Facilities Maint.)	89,250
	Interdepartmental Benefits (30% of above amount unknown at present time)	23,085
5401	Overtime	3,084
5000	Office Supplies	300
5007	Fuel, Oil, Lubricants	480
5010	R&M Supplies - plumbing, ballasts, fluorescent light bulbs, batteries for elctric urinals & mailon sensors	30,000
5013	Shop Maintenance Supplies	840
5014	Uniforms/Safety	1,500
5020	Tools/Equipment less than \$1K	1,000
5150	R&M Buildings & Grounds	
	Broken glass, graffiti, locksmith, vandalism	9,500
	Chiller Service - 2 chillers annual service	14,360
	Boilers (4) Service	10,400
	Elevators (11) Preventive Service	48,880
	Water Cooling Tower & Boilers Treatment	14,400
	Energy Management Control System Contract	18,900
	Emergency Generator (1 Above Ground Diesel) Test, Service & ADEQ Permit	10,000
	Janitorial TBD based on hours of operation & level of service	384,000
	Pest Control for two buildings	2,400
	Termite Protection	1,200
	Exterior Window Cleaning, including air work 1 x year	25,000
	Window Repair/Replacement	17,000
5125	Energy Management Control System Software	5,800
5142	Postage/Freight- return warranty parts to supplier	480
5145	Security Guards (Security surveillance cameras in ITO responsibility)	1,889,640
5151	Landscaping	9,000
5149	R&M Machinery & Equipment (pumps, trash compactor, ADA & high security doors, fire extinguishers, fire	31,100
5204	AV & Camera Supplies, Door Access System Software & Supplies	5,000
5300	Phones, alarm lines \$50 per mo per line for security, fire alarm, elevator	4,473
5301	Electricity could be changed based on hours of operation	300,000
5302	Water & Sewer	25,000
5303	Gas	15,000
5304	Trash & Recycling Service	18,200
	O&M EXPENSES	2,926,121
	FMO Overhead = Currently 29.8%, adjusted annually	778,348
	Insurance (.0610 per \$100 of combined building and content/equipment value of \$70M)	46,180
	Total =	3,752,659
	Per Sq. Ft. Cost =	\$14.44
	COT EXCLUSIVE (PonziSet & Reserve for Replacement) COSTS	
	Paradek changes (300) for COT only at current rate of \$37.00 per month per paradek	\$ 207,792
	Capital Reserve balance needed in 2025 for COT share of common area carpeting calculated in future dollars	\$ 84,440
	Capital Reserve balance needed in 2033 for COT share of roof & equipment calculated in future dollars	\$ 918,358
	Capital Reserve balance needed in 2028 for COT courtroom and office carpet replacement in future dollars	\$ 277,840

COT Portion @ 54%
\$ 2,028,351
\$ 14.44

PLUS - COT EXCLUSIVE ANNUAL COSTS

Interest Rate	Pmt. Periods	Pmt. Amount	Future Value
1%	10	\$ 207,792	\$ 84,409
1%	18	\$ 46,717	\$ 916,342
1%	10	\$ 28,537	\$ 277,838

Cost per Sq. Ft. = \$ 289,114
\$ 2,06
\$ 2,315,455
\$ 18.50

Adj. TOTAL COT Cost per Sq. Ft. = \$ 18.50

PROJECTED ANNUAL COSTS for first year of operation.

Loan Cost (City Portion)

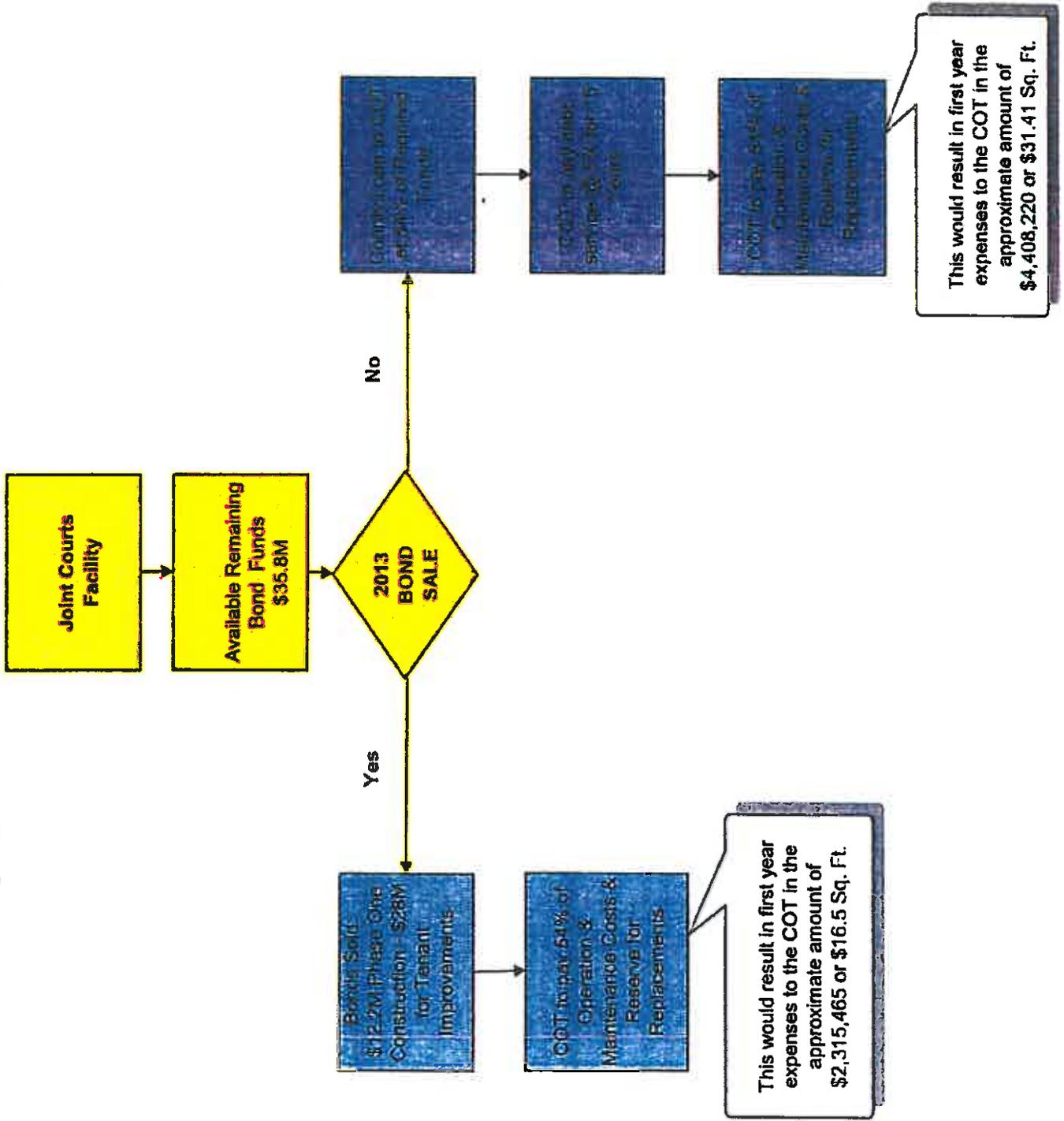
Loan Amount	\$	21,722,088
Interest Rate		5.00%
Term in Years		15
Annual Cost per Sq. Ft.	\$	14.90
Annual Principal & Interest	\$	2,092,756

Operation & Maintenance, Reserves/Replacement Costs (City Portion)

Annual Cost per Sq. Ft.	\$	16.50
City Portion	\$	<u>2,315,465</u>
City Project Cost (Annual)	\$	4,408,220
City Project Cost (Sq. Ft.)	\$	31.41

* O & M Costs are subject to annual review and adjusted based on actual prior year costs.

FINANCING OPTIONS - Cause and Affect



OPTIONS - Projected Capital Costs & Cash Demands Comparison Chart

OPTIONS YEAR 2014 YEAR 2015 YEAR 2016 YEAR 2017 YEAR 2018 YEAR 2019

(Option 1) Keep Existing COT Court Bldg. With No Change In Occupants

O&M Costs \$	900,000 \$	918,000 \$	936,360 \$	955,087 \$	974,189 \$	993,673
Renovations/Repairs/Etc. \$	250,000 \$	260,000 \$	270,400 \$	281,216 \$	292,465 \$	304,163
Sub-totals	\$ 1,150,000 \$	\$ 1,178,000 \$	\$ 1,206,760 \$	\$ 1,236,303 \$	\$ 1,266,654 \$	\$ 1,297,836

(Option 2) Keep Existing COT Court Bldg. & Relocate Prosecutors & Defenders

O&M Costs \$	900,000 \$	918,000 \$	936,360 \$	955,087 \$	974,189 \$	993,673
Repairs/Fix-up/Etc. \$	2,000,000 \$	250,000 \$	260,000 \$	270,400 \$	281,216 \$	292,465
Capital Improvements/repairs to Building \$	3,500,000					
Sub-totals \$	6,400,000 \$	1,168,000 \$	1,196,360 \$	1,225,487 \$	1,255,405 \$	1,286,137
Lease Pmt for Prosecutors/Defenders \$	-	500,000 \$	510,000 \$	520,200 \$	530,604 \$	541,216
Move/Furniture/Equip./Fit-up/Etc \$	-	3,500,000 \$	-	-	-	-
Sub-totals \$	-	4,000,000 \$	510,000 \$	520,200 \$	530,604 \$	541,216
Total	\$ 6,400,000 \$	\$ 5,168,000 \$	\$ 1,706,360 \$	\$ 1,745,687 \$	\$ 1,786,009 \$	\$ 1,827,353
Net Change (Deducting Option 1 savings) \$	5,250,000 \$	3,950,000 \$	499,600 \$	508,384 \$	519,355 \$	528,517

(Option 3) New Joint Courts Facility & Relocation of Prosecutors & Defenders

O&M Costs (& Reserve for Replacements) \$	2,315,465 \$	2,361,774 \$	2,409,010 \$	2,457,190 \$	2,505,334 \$	2,556,460
Debt Service \$	2,092,756 \$	2,092,756 \$	2,092,756 \$	2,092,756 \$	2,092,756 \$	2,092,756
Move/Furniture/Equip./Fit-up/Etc \$	2,000,000 \$	-	-	-	-	-
Sub-totals \$	6,408,220 \$	4,454,530 \$	4,501,765 \$	4,549,945 \$	4,599,069 \$	4,649,216
Lease Pmt for Prosecutors/Defenders \$	-	500,000 \$	510,000 \$	520,200 \$	530,604 \$	541,216
Move/Furniture/Equip./Fit-up/Etc \$	-	3,500,000 \$	-	-	-	-
Sub-totals \$	-	4,000,000 \$	510,000 \$	520,200 \$	530,604 \$	541,216
Total	\$ 6,408,220 \$	\$ 8,454,530 \$	\$ 5,011,765 \$	\$ 5,070,145 \$	\$ 5,129,693 \$	\$ 5,190,432
Net Change (Deducting Option 1 savings) \$	5,258,220 \$	7,276,530 \$	3,805,005 \$	3,833,842 \$	3,863,040 \$	3,892,596

OPTIONS - Projected Capital Costs & Cash Demands Comparison Chart

OPTIONS	FY15	FY16	FY17	FY18	FY19	FY20
(Option 1) Keep Existing COT Court Building						
O&M Costs	\$ 900,000	\$ 918,000	\$ 936,360	\$ 955,087	\$ 974,189	\$ 993,673
Repairs/Fix-up/Etc.	\$ 250,000	\$ 250,000	\$ 260,000	\$ 270,400	\$ 281,216	\$ 292,465
One-Time Repairs/Improvements	\$ 1,000,000	\$ 1,500,000	\$ 1,000,000			
Total	\$ 2,150,000	\$ 2,668,000	\$ 2,196,360	\$ 1,225,487	\$ 1,255,405	\$ 1,286,137

(Option 2) New Joint Courts Facility with Repayment of Loan - Worst Case						
O&M Costs (& Reserve for Replacements)	\$ 2,315,465	\$ 2,361,774	\$ 2,409,010	\$ 2,457,190	\$ 2,506,334	\$ 2,556,460
Debt Service (15 Year 5%) \$28M T&I GMP	\$ 2,092,754	\$ 2,092,754	\$ 2,092,754	\$ 2,092,754	\$ 2,092,754	\$ 2,092,754
Move/Furniture/Equip./Fit-up/Etc	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ 6,408,219	\$ 4,454,528	\$ 4,501,763	\$ 4,549,944	\$ 4,599,087	\$ 4,649,214
Lease Pmt for Prosecutors/Defenders	\$ -	\$ 500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Move/Furniture/Equip./Fit-up/Etc	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ -	\$ 2,500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Total	\$ 6,408,219	\$ 6,954,528	\$ 5,011,763	\$ 5,070,144	\$ 5,129,691	\$ 5,190,430

(Option 3) New Joint Courts Facility with Repayment of Loan - Best Case						
O&M Costs (& Reserve for Replacements)	\$ 1,991,465	\$ 2,031,294	\$ 2,071,920	\$ 2,113,358	\$ 2,155,626	\$ 2,198,738
Debt Service (20 Year, 3%) \$22M T&I GMP	\$ 1,242,144	\$ 1,242,144	\$ 1,242,144	\$ 1,242,144	\$ 1,242,144	\$ 1,242,144
Move/Furniture/Equip./Fit-up/Etc	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ 5,233,609	\$ 3,273,438	\$ 3,314,064	\$ 3,355,503	\$ 3,397,770	\$ 3,440,882
Lease Pmt for Prosecutors/Defenders	\$ -	\$ 500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Move/Furniture/Equip./Fit-up/Etc	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ -	\$ 2,500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Total	\$ 5,233,609	\$ 5,773,438	\$ 3,824,064	\$ 3,875,703	\$ 3,928,374	\$ 3,982,098

(Option 4) New Joint Courts Facility - No Loan Repayment						
O&M Costs (& Reserve for Replacements)	\$ 1,991,465	\$ 2,031,294	\$ 2,071,920	\$ 2,113,358	\$ 2,155,626	\$ 2,198,738
Move/Furniture/Equip./Fit-up/Etc	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ 3,991,465	\$ 2,031,294	\$ 2,071,920	\$ 2,113,358	\$ 2,155,626	\$ 2,198,738
Lease Pmt for Prosecutors/Defenders	\$ -	\$ 500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Move/Furniture/Equip./Fit-up/Etc	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Sub-totals	\$ -	\$ 2,500,000	\$ 510,000	\$ 520,200	\$ 530,604	\$ 541,216
Total	\$ 3,991,465	\$ 4,531,294	\$ 2,581,920	\$ 2,633,558	\$ 2,686,230	\$ 2,739,954

The range of total annual O&M costs for the new building would be from \$1.1M to \$1.5M above the cost to remain in the existing facility. One time costs would be similar in either scenario, though cashflow may vary.