ITEM # 26
DATE 07-26-11

COUNCIL ACTION FORM

SUBJECT: REDIRECTING GENERAL OBLIGATION BONDS FROM GRAND AVENUE EXTENSION IN 2011/12 CAPITAL IMPROVEMENTS PLAN

BACKGROUND:

The Grand Avenue Extension project is included in the approved 2011-2016 Capital Improvements Plan (CIP) with planning and land acquisition from Squaw Creek Drive to South 16th Street scheduled for 2011/12. These planning and land acquisition costs are programmed to have $300,000 from General Obligation Bonds (G.O. Bonds) and $1,200,000 from Congressionally Directed Funds. Since City Council approved the CIP, staff has been notified by our Congressional delegation that we should not expect to receive any Congressionally Directed Funds (Earmarks) in the near future. As a result of the lack of federal funding, staff does not recommend pursuing this major project at this time. However, as an alternative, the City Council could chose to redirect the $300,000 in G.O. Bonds to fund other work in accordance with priorities recommended by our Pavement Management System.

Recently, staff has received several complaints about the pavement condition on the frontage road south of SE 16th Street adjacent to S. Duff Avenue and businesses such as Re/Max Real Estate Center, Sherwin-Williams, and Golf USA. This existing asphalt roadway is a City street that provides access management from U.S. Highway 69 to the area businesses. The pavement management data shows this section of roadway being in the category of worst condition with a pavement condition index of 20 or lower. This indicates that a full reconstruction is likely the most feasible solution. A preliminary cost estimate to reconstruct the roadway pavement (including engineering) is $165,000.

Another roadway in need of rehabilitation is Hickory Drive from Lincoln Way to Westbrook Drive, which is located at a traffic signal controlled intersection. This roadway connects the Woodland Street area to Lincoln Way. Maintenance crew input and an inspection of this section show it to be greatly deteriorated. A preliminary cost estimate to rehabilitate the roadway pavement (including engineering) is $135,000.

ALTERNATIVES:

1. Approve the redirection of G.O. Bonds in the amount of $300,000 to be used to reconstruct the S. Duff Avenue/SE 16th Street frontage road and Hickory Drive (Lincoln Way to Westbrook Drive). These bonds are projected to be sold this fall.

2. Direct staff to redirect the G.O. Bonds in the the amount of $300,000 to a different eligible project.

3. The City Council can decide to reduce the proposed fall bond sale by $300,000.

   Since the 2011/12 budget assumed that this $300,000 of G.O. Bonds would be sold, the current tax rate will generate revenues to recoup from our property tax payers the annual principle and interest payments for this debt. If the Council opts for this alternative, the excess tax revenue generated will be placed in the Debt Service Fund and made available to reduce future tax levies.

MANAGER'S RECOMMENDED ACTION:

Since the City has been informed by our federal delegation not to expect any earmarks in the near future, the City Council must decide whether or not to still sell the $300,000 that have been levied.

By redirecting the $300,000, it will be possible to advance the rehabilitation of two street sections that continue to deteriorate. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the redirection of G.O. Bonds in the amount of $300,000 to be used to reconstruct the S. Duff Avenue/SE 16th Street frontage road and Hickory Drive (Lincoln Way to Westbrook Drive). If this alternative is approved, improvements will not be made until the Spring of 2012.