

# Facility Cost Much More Than Planned

North Wilkesboro commissioners learned Thursday night that the likely cost of a proposed facility for the police and fire departments on town-owned land near Second Street is over 50 percent more than expected due to rising construction costs.

Jim Powell of ADW Architects said during a board work session that the public safety facility was now expected to cost \$7.75 million to \$9 million. In a preliminary report he prepared for the board in 2018, Powell estimated the cost at \$5 million to \$6 million.

“I hate this, because I always seem to be the bearer of bad news sometimes,” said Powell before disclosing the figures. He said the low bid his firm received Tuesday on a comparable fire station in Fort Mill, S.C., was \$345 a square foot, which is “considerably higher than what we’ve been seeing.”

Powell continued, “We’ve been seeing the cost for fire-police (stations) go up every single year, and most likely that trend will continue—that’s just the nature of construction.”

Last year, he estimated that North Wilkesboro’s public safety facility could be built for \$250 to \$275 a square foot, but now believes it would be between \$300 and \$330.

He summarized that a 22,000-square-foot combination police and fire facility (minimum size he recommended) would cost up to \$9 million. That includes a 15 to 20 percent surcharge for soft costs like furnishings and fixtures and ADW’s \$450,000 flat architectural fee.

Commissioner Debbie Ferguson replied, “It would be nice if we could just say, ‘Let’s start.’ But I don’t think we can.”

Town Manager Larry South said in an interview Monday that he wasn’t sure how the commissioners would move forward now, but noted that they would wait to see the fiscal 2017-18 audit report.

The report on the audit was due from Gibson & Company P.A. on Oct. 31, 2018, but Gibson said it was delayed due to “unforeseen scheduling conflicts” within the firm. South said it is expected soon.

South also said, "I suspect there may be no definitive decision until we see what kind of funding package" the U.S. Department of Agriculture's Rural Development offers.

## **Funding options**

The board heard a detailed presentation from Mitch Brigulio, senior vice president of Davenport & Company, on options for funding the public safety facility before Powell gave his report. Davenport & Company is a public finance firm.

Summarizing his findings, Brigulio said the town's only option without raising taxes to fund a facility costing as much as \$9 million involved taking out a 40-year loan from Rural Development with an interest rate of 3-4 percent.

He analyzed eight funding scenarios, four of which involved using up to \$466,667 annually for four years paid by Wake Forest Baptist Medical for leasing Wilkes Medical Center and another four involving a direct bank loan over 20 years at a 4.5 percent interest rate.

The only two scenarios providing at least \$9 million involved Rural Development, one utilizing \$1.87 million in hospital lease funds, thereby increasing funding to \$9.9 million, and one not involving lease funds and leaving funding at \$9.2 million.

Brigulio said four of the scenarios greatly diminished funding capacity due to a funding gap of around \$250,000 in the town's 2019 budget. He based that on expenditures exceeding revenue by roughly \$823,000, but said the town averaged spending \$600,000 less than the annual capital outlay budget in the last four years.

The 2019 budget has \$1.15 million for capital outlay, including \$485,000 for repaving town streets and \$326,000 for streetscape improvements to Sixth and Main streets.

It also includes \$339,000 for repaving in the recreation department, a utility all-terrain vehicle for the fire department, a flatbed truck partially funded with Powell Bill funds, transfers to revolving loans, upgrades to the town's website, an electric car charging station and defibrillators for each town building.

Ferguson commented on the budget shortfall, "So, we're looking at using \$257,000 of fund balance this year that we really cannot afford to use. We're already about as low as we need to go (on fund balance). So, we're \$257,000 short if things go really well this year."

She asked Brigulio if the town could afford the anticipated shortfall, and he replied, "I won't say you absolutely cannot afford (the funding gap), but it would put you weaker on that unassigned fund balance.

"You have good debt capacity. The more relevant question for you is, (do you have debt) affordability to repay the debt service?"

Ferguson replied, "Knowing that ... what we determine to do ties up the town's ability to spend money for so long, we really need to be incredibly careful, in my view."

Brigulio agreed with the cautious approach to funding the public safety facility. "If you maximize all the dollars available now, then you'll have to find other dollars to help fund (other) projects."

Ferguson added, "And we're not growing, you know, and the predictors are that we will not be growing (in the future). That seems to be a given in our community. So, we can't be doing what the bigger-growing, thriving cities are doing. We can't go out on that limb too far."

Brigulio said that based upon his assumptions, the town's delayed 2018 audit report would not change the town's funding capacity for the project.