

CITY OF TONKA BAY

ITEM NO. 6B



SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Serving Excelsior, Greenwood, Shorewood and Tonka Bay

BRYAN LITSEY
Chief of Police

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M E M O R A N D U M

TO: Member City Councils
Excelsior, Greenwood, Shorewood and Tonka Bay

FROM: Bryan Litsey, Chief of Police

DATE: July 24, 2012 - Tuesday

RE: Public Safety Facility - Capital Replacement Fund

The Coordinating Committee for the South Lake Minnetonka Police Department (SLMPD) is spearheading an effort to establish a capital replacement fund for the public safety facility. Currently, there is no reliable and consistent funding source for replacing major building components as the facility ages. The nomenclature previously used for describing such a fund has been a capital maintenance fund. This has apparently created an element of confusion, since the routine maintenance and repair of existing building components is accounted for under operating expenses and assigned funds supporting operations. A capital replacement fund is the next step in making sure there are reserves available for the eventual replacement of those costly items that have reached the end of their projected life span. This ensures that the initial capital investment made in the building is maintained well into the future.

The Coordinating Committee took up this matter at their quarterly meeting held on July 18, 2012. As requested, I prepared the attached memorandum and spreadsheet for inclusion in the meeting packet. This provided the backdrop for the discussion that ensued when this item came up on the agenda. There was agreement among Committee members that the proposed capital replacement (maintenance) fund outlined in my memorandum be brought back to their respective City Councils with a recommendation for approval. It was also agreed that a total assessment of \$10,000 proportioned between the member cities at agreed upon percentages was a reasonable starting point for 2013. This would be separate from what each member city contributes toward operations and the debt service obligation on the building. This was put in the form of a motion, which passed unanimously. Not included in the motion was an affinity toward applying the same percentages to the capital replacement fund as the percentages used for the debt service payments on the building. The rationale being both involve capital expenditures.

I will be appearing before the member City Councils in August to present the 2013 Operating Budget endorsed by the Coordinating Committee. I have been asked to make a separate presentation afterwards regarding the proposed capital replacement fund.



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M E M O R A N D U M

TO: Coordinating Committee Members

FROM: Bryan Litsey, Chief of Police

DATE: July 15, 2012 - Sunday

RE: Public Safety Facility - Capital Maintenance Plan

A renewed effort to fund a capital maintenance plan for the South Lake Minnetonka Public Safety Facility was discussed at the Coordinating Committee Work Session on June 20, 2012. I was asked to take the lead in developing such a proposal on behalf of the member cities for the South Lake Minnetonka Police Department (SLMPD). Such an effort was previously delegated to the administrators group for the member cities. Some progress was made in terms of funding options and a replacement plan/schedule for the major components in the facility. The latter of these resulted from a study conducted by the City of Shorewood at the request of the SLMPD and Excelsior Fire District (EFD). Corresponding materials concerning past efforts to address this issue have been attached to this memorandum dating back to October 2009.

The SLMPD currently maintains a number of special revenue and capital funds to support the operating budget. One of these funds is the Building Fund, which is used for unbudgeted expenses associated with maintaining, repairing and improving the functionality of the facility shared with the EFD. It is not supported through operations, other than when there has been a transfer of year-end surpluses. This last occurred in May 2012. The Building Fund also received a boost last year when the Shorewood EDA informed the SLMPD of unspent bond proceeds remaining in the construction fund for the public safety facility. These proceeds were subsequently transferred to the Building Fund. These stopgap measures have helped in the short-term, but do not support a reliable and consistent funding source for future needs as the building ages.

In order to move forward, there needs to be a commitment from the member cities to consistently fund a capital maintenance account over the life of the building. This is in addition to their annual contribution to SLMPD operations and debt service obligation on the building. The next step is determining how to assess and collect funds from each member city. What seems to make the most sense is adding this to the quarterly debt service payment each member city makes to the SLMPD. Both involve capital expenditures separate from operations, so the same protocol could be used for assessing, collecting and maintaining this separate capital maintenance account. Disbursement of these funds would be under the direction and control of the Coordinating Committee, although it would be advisable to give the Chief of Police limited authority to make decisions independent of

Memorandum to Coordinating Committee
Public Safety Facility - Capital Maintenance Plan
Page 2 of 2

the Coordinating Committee based on predetermined criteria. A good model to follow is the way change orders were handled during construction of the building. Circumstances and dollar amounts determined when just the Chief of Police could make the decision, when both the Chief of Police and Committee Chair could make the decision and when the entire Coordinating Committee needed to make the decision.

Initially, the amount earmarked for this fund could be set rather low. The most important factor early on is gaining the support of the member cities and establishing the fund. Once this is accomplished, future contribution amounts can be tied to a more solid assessment of the aging building components and infrastructure. The attached chart depicts three funding scenarios for a capital maintenance fund using the 2012 debt service percentages for each member city. These will likely change when the percentages for 2013 are recalculated based on current tax capacity data from Hennepin County. Nevertheless, this provides a good indication of what each member city can expect to contribute depending on the funding level.

This topic will be on the agenda for the upcoming Coordinating Committee Meeting on July 18, 2012.

**SOUTH LAKE MINNETONKA POLICE DEPARTMENT
Public Safety Facility - Police Portion**

Proposed Capital Maintenance Fund

Illustration Purposes Only

Total Assessment	\$10,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$1,403
Greenwood	10.98%	\$1,098
Shorewood	54.37%	\$5,437
Tonka Bay	20.62%	\$2,062
TOTAL	100.00%	\$10,000

Total Assessment	\$15,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$2,105
Greenwood	10.98%	\$1,647
Shorewood	54.37%	\$8,155
Tonka Bay	20.62%	\$3,093
TOTAL	100.00%	\$15,000

Total Assessment	\$20,000
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Member City	2012 Debt Service Percentages	Dollar Amount
Excelsior	14.03%	\$2,806
Greenwood	10.98%	\$2,196
Shorewood	54.37%	\$10,874
Tonka Bay	20.62%	\$4,124
TOTAL	100.00%	\$20,000



**SOUTH LAKE MINNETONKA
POLICE DEPARTMENT**

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BRYAN T. LITSEY
Chief of Police

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MEMORANDUM

TO: Coordinating Committee Members

FROM: Bryan Litsey, Chief of Police

DATE: July 18, 2010 - Sunday

RE: Public Safety Facility
Capital Maintenance Plan (Assessment and Recommendations)

The City of Shorewood was retained by the South Lake Minnetonka Police Department (SLMPD) and Excelsior Fire District (EFD) to develop a long-term capital maintenance plan for the facility they share in Shorewood. The EFD also requested the same be done for their fire station in Deephaven. The attached report and spreadsheets from the City of Shorewood dated June 30, 2010 are a product of this effort.

The spreadsheet for the shared facility in Shorewood identifies most of the major building components. However, only some of the items have an estimated life span, replacement year and replacement cost noted next to them. Those items left blank are apparently expected to last the life of the building projected to be 50 plus years. This seems to be a stretch for some of the items left blank and providing estimates would be helpful in determining future costs. Additionally, other significant items have been excluded from the spreadsheet such as interior carpeting, painting and furnishings as well as exterior fixtures, concrete slabs, asphalt pavement and signage. These major expense items are not included in the cost of operations and thus it would seem to make sense they be included as part of the capital maintenance plan.

The plan mentions that preventive maintenance is the key to maximizing the life span of building components and reducing breakdowns. The SLMPD has been committed to this effort ever since occupying the facility in January 2004. Since that time, there have been ongoing preventive maintenance agreements in place for all the primary building components. This is accounted for in the operating budget under repairs and maintenance.

This additional information is intended to help the administrators group come up with a funding recommendation in support of this plan. As a stopgap measure, both the SLMPD

Chief's Memorandum to Coordinating Committee
Public Safety Facility - Capital Maintenance Plan
July 18, 2010 - Sunday
Page 2 of 2

and EFD have allocated \$25,000 from existing reserves to support capital repairs and improvements to the building structure and components. This was done at the recommendation of the administrators group and approved by the respective governing boards for the SLMPD and EFD. This interim plan provides some short-term relief while the administrators group continues to work on a long-term funding solution.

Further feedback and direction from the Coordinating Committee would be helpful at the upcoming meeting on July 21, 2010.

Capital Maintenance Plan and Recommendations for the Excelsior Fire District and the South Lake Minnetonka Police Department

The City of Shorewood is pleased to present the Excelsior Fire District and the South Lake Minnetonka Police Department with our Capital Maintenance Plan assessment and recommendations for consideration.

The report covers the joint public safety facility located in Shorewood and the fire station located in Deephaven. Included, as an attachment, is the draft plan in Excel 2007 format. We will also deliver an electronic version of the spreadsheet for use by the departments in their budget planning process.

Purpose

The purpose of this report and attachments is to provide both organizations with a general plan identifying the major components for each facility so that both organizations can better plan for potential repair and maintenance to the facilities.

As a general note, in terms of capital budgeting, it is the building that is the capital asset and the work done on the building overtime to keep the building operational is considered general maintenance and part of the general operational budget discussions.

While the repair or replacement of the roof, for example, may not be considered a capital expense and part of a capital budget, the cost to complete the project is quite high and therefore requires some forethought and planning, which is why we refer to this document as a Capital Maintenance Plan rather than a Capital Improvement Plan.

Process

The process to create the plan consisted of Joe Pazandak, the Shorewood building official, conducting a thorough walk through inspection of the joint public safety facility and the fire station located in Deephaven. During the walk through, Joe documented the type of equipment, its current age, the estimated life, and the current cost to replace the equipment. Some of the items not evaluated included the communications and computer systems, furniture, or flooring.

Findings

1. Joint facility – The joint public safety facility located in Shorewood is of brick construction and approximately 8 years old. Most of the general components are designed to last the life of the building. Some of these items include the garage doors, heating and cooling units, generator, doors, windows, lighting fixtures, elevator, etc. While much of the building is good for the next 50+ years, there are a few things that require possible replacement in the next 12 – 15 years. The largest expense is the roof. Additionally, there are individual components in the heating and air conditioning system that may require replacement overtime to ensure the system operates at peak efficiency.

For the most part, the major components of the joint facility should last the life of the building or beyond a reasonable planning horizon.

2. Deephaven Fire Station – The fire station, located on the campus of the Deephaven City Hall, was constructed at generally the same time as the joint facility and is constructed to resemble the Deephaven City Hall. As such, there may be additional maintenance required that is not required on the joint facility. The main difference is the need to maintain the exterior of the building, which is lap siding rather than brick.

This structure also contains some mechanical equipment more closely associated with that found in a residential structure and not commercial in nature, which is what the joint facility uses. As a result, there is added maintenance and possible replacement costs associated with this facility than the joint facility.

3. The most important part of this program is to ensure adequate funds are allocated to cover the cost of general maintenance, upkeep, and tuning of the facility and major components. General maintenance will prolong the useful life, result in greater efficiency over time, and lessen the risk of a major breakdown requiring a significant outlay of funds for the repair.

Tables

The information on the next couple of pages outlines the components of each facility, the useful life, and estimated cost to replace/repair. To estimate the cost, we used the current cost and increased by a nominal 2% per year. Obviously, projecting out 20-40 years for costs is difficult and the numbers should not be considered concrete. Also, keep in mind that a replacement year is based on industry standard and as a result, the item listed may last longer or not as long depending on various conditions such as weather and maintenance.

**South Lake Minnetonka Public Safety, 24100 & 24150 Smithtown Road
Capital Maintenance Plan, 2010**

Prepared by: Joe Pazandak

BUILDING Component	Const. Year	Age	CMP Strategy	Usefull Life	Replacement Year	Current cost	Replacement cost	SLMPD Share	EFD Share
Roof, shingled	2002	8	4. a	22	2024	136,640	174,899	101,302	73,598
Roof, single ply, EFD	2002	8	4. a	20	2022	10,000			12,400
Roof, single ply, SLMPD	2002	8	4. a	20	2022	3,000		3,720	
Building structure	2002	8	4. b						
Siding	2002	8	4. b						
Exterior painting and caulking	2002	8	4. a	20	2022	5,000	6,200	3,100	3,100
Overhead door	2002	8	4. b						
Doors	2002	8	4. b						
Windows	2002	8	4. b						
Mechanical systems, Furnace & AC	2002	8	4. b						
Electrical systems	2002	8	4. b						
Emergency electrical power system	2002	8	4. b						
Plumbing systems	2002	8	4. b						
Water heater	2002	8	4. a	20	2022	2,200	2,728	1,364	1,364
Front stoop	2002	8	4. a	Note 7	2015	2,500	2,750	1,375	1,375
Fire suppression sprinler sys	2002	8	4. b						
Elevator	2002	8	4. b						
Gutters	2002	8	4. b						
Retaining walls	2002	8	4. b						
Fence	2002	8	4. b						
Ice dam reduction system	na	na	na	Note 8	2011	10,000	10,200	4,080	6,120

Notes:

- Scope of Capital Maintenance Plan (CMP) is intended to address replacement of major building components.
- CMP does not address maintenance or replacement of minor building elements.
- Some maintenance and repair comments may be included.
- CMP Strategy:
 - Set useful life and cost, used for elements that will have a generally determinate useful life or life cycle and the end of the life cycle will have issues for building use or durability.
 - Components that have a longer life cycle that may become obsolete, become inefficient with new technology, deteriorate slowly, repairs or maintenance exceed return on investment over a given time.
 - Components that due to performance should have a strategy established to address issues prior to components life cycle.
- CIP Program will be reviewed each year for adjustments.
- Costs are estimated.
- Front stoop has pop-outs and may need to be replaced in next 3 to 5 years.
- Ice dam issues should be addressed.

**Excelsior Fire District, East Station
Capital Maintenance Plan, 2010**

Prepared by: Joe Pazandak

BUILDING Component	Const Year	Age	CMP Strategy	Useful Life	Replacement Year	Current cost	Replacement cost
Roof	2003	7	4. a	22	2025	25,000	32,500
Building structure	2003	7	4. b				
Siding	2003	7	4. a	40	2043	25,500	43,860
Exterior painting and caulking	2003	7	4. a	20	2023	5,100	6,426
Overhead doors	2003	7	4. b				
Doors	2003	7	4. b				
Windows	2003	7	4. b				
Mechanical system, Engin area	2003	7	4. b				
Mechanical systems, Office area	2003	7	4. a	22	2025	6,000	7,800
Electrical systems	2003	7	4. b				
Plumbing systems	2003	7	4. b				
Water heater	2003	7	4. a	20	2023	2,200	2,772
Water softener	2003	7	4. a	20	2023	2,000	2,520
Emergency generator	2003	7	4. b				
Fire suppression sprinler sys	2003	7	4. b				
Gutters	2003	7	4. b				
Retaining walls	2003	7	4. b				
Fence	2003	7	4. b				

Notes:

1. Scope of Capital Maintenance Plan (CMP) is intended to address replacement of major building components.
2. CMP does not address maintenance or replacement of minor building elements.
3. Some maintenance and repair comments may be included.
4. CMP Strategy:
 - a. Set useful life and cost, used for elements that will have a generally determinate useful life or life cycle and the end of the life cycle will have issues for building use or durability.
 - b. Components that have a longer life cycle that may become obsolete, become inefficient with new technology, deteriorate slowly, repairs or maintenance exceed return on investment over a given time.
 - c. Components that due to performance should have a strategy established to address issues prior to components life cycle.
5. CMP Program will be reviewed each year for adjustments.
6. Costs are estimated.
7. Additional comments:
 - a. Exterior siding, caulking and siding needs repair, apx \$1,000.
 - b. Soffit vents and siding need cleaning, apx \$300.
 - c. Sprinklers are staining and damaging siding.
 - d. Siding is close to grade causing siding damage, apx \$1,000.
 - e. Overhead doors squeek and may need service to reduce damage.
 - f. Emergency door openers should be considered for overhead doors, \$1,150 each.