

**MANAGEMENT & PLANNING COMMITTEE
AGENDA REQUEST FORM
COMMISSION DISTRICT # 3, 5**

PRESENTED BY: David M. Loveland, Planning Manager
Lee County Department of Transportation

REQUESTED BY: BoCC

TITLE OF ITEM FOR THE AGENDA: ADVANCEMENT OF US 41 FROM CORKSCREW RD. TO SAN CARLOS BLVD.

1. DESCRIPTION AND OBJECTIVE OF THE ISSUE

Lee County previously advanced the design phase of the FDOT project to six-lane US 41 from Corkscrew Road to San Carlos Boulevard, and FDOT obtained a loan through the State Infrastructure Bank (SIB) to advance the purchase of right-of-way. FDOT then applied for but failed to receive an additional SIB loan to advance the construction phase; construction is currently funded in State's five year work program in fiscal year 2010/2011. Based on this schedule, the best case for start of construction is a let date in July of 2010 with an estimated start date in the fall of 2010.

The BOCC asked staff to review options to advance the project. Lee County cannot advance this project utilizing County funds without impacting other projects. Following the concept proposed in 2004, County staff has explored obtaining a commercial paper loan and entering into an advancement-reimbursement agreement with FDOT. FDOT will reimburse only the construction and CEI costs, not interest costs. The Board previously expressed reluctance to use County funds to cover the interest on a loan to advance a State highway project, so County staff recently met with some developers in the Estero area who have pending developments along US 41 but face concurrency issues and may end up with a condition similar to the Estero Golf Resort MPD (Wal-Mart). The MPD zoning resolution says the developer may not obtain a building permit for the commercial portion of the project until "notification of the commencement of the US 41 six lane improvements". The meeting with the developers was preliminary to gauge their willingness to cover the interest costs, and all those present indicated a willingness to participate, subject to working out specific details

Advancement-reimbursement agreements with the State are written as maximum participation agreements. FDOT agrees to reimburse up to the budgeted amount for construction and CEI. All additional costs such as bid amounts in excess of cost estimates and overruns during construction would be the responsibility of Lee County under such an agreement. Typically, the full amount must be deposited with FDOT when the project is advertised and repayment is made in increments. FDOT has agreed to reimburse the principal loan amount in one lump sum payment in July 2010 and has agreed that if Lee County advances the funds to FDOT to construct, the funds can be deposited just prior to awarding the contract rather than when the project is advertised. FDOT has also agreed that Lee County DOT can let and construct the project, which could help us in keeping costs down and minimizing interest obligations.

2. PROPOSED POLICY, PROCEDURE OR PLAN OF ACTION

Obtain a commercial paper loan for \$25 million, enter into agreements for area developers to pay the interest costs, and enter into an advancement-reimbursement agreement with FDOT to advance the construction phase of the project to begin in Spring 2007.

3. OPTIONS (List Advantages/Disadvantages of Each Option Listed)

Option 1: Enter into an advancement-reimbursement agreement with FDOT and provide the funds to FDOT when the contract is awarded.

Advantages:

- Construction will be advance approximately 3 years from 2010 to 2007.
- Commercial paper loan will not be drawn until bids are received.

Disadvantages:

- All cost overruns during construction will be the responsibility of Lee County.
- The entire loan amount must be deposited with FDOT when the contract is awarded and interest will accrue on that amount; estimated interest amount over the life of the loan under this scenario is \$5 million.

Option 2: Enter into an advancement-reimbursement agreement with FDOT and Lee County will let and construct the project.

Advantages:

- Construction will be advanced approximately 3 years from 2010 to 2007.
- Lee County can obtain authorization for the loan but not act on it until bids are in; if bids are above estimate, the contract will not be awarded.
- If bids are acceptable and Lee County awards the project, the county will have control over construction and change orders, which will provide better overall control over cost over-runs.
- The commercial paper loan will be drawn in increments as needed to minimize interest costs; the estimated interest over the life of the loan under this scenario is \$3.1 million.

Disadvantages:

- All cost overruns during construction will be the responsibility of Lee County.
- Staff time for overseeing construction, estimated to be \$250,000.00, may or may not be recouped.

Option 3: Don't enter into an advancement-reimbursement agreement with FDOT.

Advantages:

- No County financial exposure for interest costs, cost over-runs, staff time charges or otherwise.
- Developers would still have option to enter into agreement directly with FDOT, without County involvement.

Disadvantages:

- Critical section of US 41 may not be widened until 2010, creating congestion, concurrency, and potential safety problems.
- Community would be unhappy with project delay.

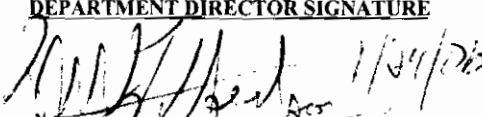
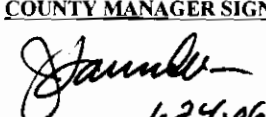
4. FINANCIAL IMPACTS/FUNDING SOURCE

The commercial paper loan will require a covenant to budget and appropriate (CBA) pledge. A \$25 million loan with a CBA pledge reduces coverage to 1.54 in 2011 thereby limiting the county's ability to borrow money for other projects.

5. STAFF RECOMMENDATIONS, AND JUSTIFICATION FOR RECOMMENDATIONS

County staff recommends Option 2. If Lee County obtains a commercial paper loan, Option 2 provides more control over costs and reduces the amount of interest to be paid. In addition, the developers indicated they are more likely to enter into agreements to cover the interest based on this scenario.

6. Mandated: Y N (X) **BY WHAT AUTHORITY?**

<u>DEPARTMENT DIRECTOR SIGNATURE</u>	<u>COUNTY MANAGER SIGNATURE</u>	<u>MEETING DATE</u>	<u>TIME REQUIRED</u>
 1/24/06	 1-24-06	Feb. 6, 2006	15 Min.