

MEMORANDUM

Date: June 27, 2022
To: Penny Post oak Ferguson, County Manager
CC: Maury Thompson, Deputy County Manager
Paul Davis, Director, Emergency Services
Dr. Sanmi Areola, Director, Department of Health & Environment
Robin Symes, Deputy Director, Budget & Financial Planning
From: Joe Waters, Assistant County Manager, Interim Director, Facilities
Re: Upcoming Capital Projects

The last several Major Capital Project Updates have noted budget challenges on three PBC projects that are in various stages of design: Shawnee Med-Act station, Household Hazardous Waste Facility and Lenexa Med-Act station. The purpose of this memorandum is to update the Board on the drivers of the funding shortfalls, the amounts estimated at this time, and the recommended approach as we proceed.

Shawnee Med-Act station

The BOCC approved \$3,120,000 for this project in 2020 as part of the 2021 budget. The project budget included property acquisition, design, construction, equipping and furnishing the completed building. Property on Midland Drive was acquired by the BOCC in 2021 before the PBC lease-purchase bonds were sold, anticipating the advance from the BOCC would be reimbursed by the bond proceeds. The construction budget became a concern due to extraordinary inflation in construction costs as well as changes in the programming needs of Med-Act driven by COVID-19. Space needs have been refined and value engineering is ongoing to hold down costs.

Construction documents are approximately 50% complete and the project cost is anticipated to be \$4,620,000, a \$1,500,000 increase. However, the market is volatile and may change up or down as the bid date nears. Staff plans to complete the construction documents in August, bid the project and bring a recommendation to award in early October, along with a request to increase the project authority with additional funding from general fund reserves (excluding funds previously used for the property purchase expense). Final figures will be refined when the bids are received.

Household Hazardous Waste Facility

The BOCC approved \$3,018,000 for this project in 2021 as part of the 2022 budget. This project budget also included property acquisition, design, construction, remodeling, equipping and furnishing as needed. A building on 112th and Mastin Street in Overland Park was acquired early this year for \$1,000,000 by the BOCC utilizing general fund reserves, anticipating the PBC would reimburse the County from the proceeds from the PBC lease-purchase revenue bonds to be sold in Fall 2022. The construction budget has also been challenged by dramatic inflation in the industry. In addition, while the building purchased will meet the needs of the program very well, it is 20% larger than was planned (very limited suitable properties on the market), increasing costs for remodel

and preparation. Value engineering and other efforts to hold down costs are being incorporated into the bid documents.

Construction documents are approximately 50% complete and the project cost is anticipated to be approximately \$1,000,000 over budget. Similar to the Shawnee Med-Act station, staff plans to complete the construction documents and bid the project in July, bringing a recommendation to award in early August. Assuming bids are aligned with the current estimate, the request for this project would be to proceed with the bond sale at the planned amount, \$3,018,000, but do not reimburse the BOCC for the property acquisition expenses. Final figures will be refined when the bids are received.

Lenexa Med-Act Station

The BOCC approved \$3,858,000 for this project in 2021 as part of the 2022 budget. Similar to the previous projects, the budget included property acquisition, design, construction, remodeling, equipping and furnishing. A building on 87th and Long in Lenexa was acquired early this year for \$1,250,000 by the BOCC utilizing general fund reserves, similar to the Household Hazardous Waste Facility, anticipating those advanced funds would be transferred back to the BOCC with proceeds from the Fall 2022 sale of PBC lease-purchase revenue bonds. This project budget is also challenged significantly by construction inflation, and in addition, the limited market availability led to a larger site and building than had been planned, and at a higher purchase price.

The project is early, still in schematic design phase, however the project cost is expected to exceed the budget by more than the \$1,250,000 previously advanced for the property acquisition. Staff plans to continue forward, monitoring and controlling costs at every opportunity, ultimately bringing the project forward (approximately October) in a similar manner as the Shawnee Med-Act and Household Hazardous Waste projects – recommending utilizing a combination of forgoing property purchase reimbursement and supplementing with general fund reserves as needed.

Summary

We recognize that adjusting a project budget when a project is bid is unusual for our general construction projects. However, in this construction market, with vital and strategic projects underway, we believe this is the most expeditious and effective path forward. Every effort will continue to be made to control costs and regular project updates will be provided to the BOCC.
