

January 2, 2007 v4

To: Town Board
Fr: Carl Zatz
Re: Town Hall Budget

Background

Despite a projected a cost under-run for the Town Hall project in November, we now anticipate an overrun of at least 100K above the budgeted 855K. These numbers are good to the end of December.

We did our best to stay on target but, unfortunately, we now face a 10-15% construction overage. We were surprised by the conditions when we began work on the schoolhouse in 2005; now we've encountered even more challenges during construction of the addition.

I've met with several people over the New Year weekend who have agreed to step in, assess the situation and provide help moving forward. I'll also meet with David Brennan and, if necessary, John Adams to discuss how to proceed and confirm the assumptions discussed here.

It's important to note that there can be no expenditures above 855K unless the Town Board resolves to borrow the money. This decision would be subject to a permissive referendum if the Board chooses to borrow for a period longer than five years..

Let me take you through the situation and some of the decisions we face.

History

a.. In 1999, the Town Board established (Res #45) a reserve fund for 600K to renovate the schoolhouse and build an office addition.

b.. In Dec 2000, the Town Board resolved Res #115-116) to take the 600K and bond additional and additional 867K for a total of 1.5mil.

c.. This triggered a permissive referendum petition which in turn triggered a town-wide election in Mar 2001. The budget amount of 1.5mil failed to win the vote.

d.. Various meetings ensued with the Town Board and architect to work within an 855K budget.

e.. In Aug 2003, the Town Board resolved (Res #74) to appropriate the cap reserve fund of 855K to renovate the schoolhouse and construct the

addition. The resolution said further that any monies required above 855K would come from surplus unexpended funds. This resolution was subject to permissive referendum.

f.. A petition successfully challenged the additional monies triggering a permissive referendum.

g.. In response the Town Board repealed the authority to appropriate any additional monies above 855K from surplus unexpended funds.

h.. These resolutions and the work that ensued to get the 2003 plans off the ground were done with the counsel of attorney John Adams.

i.. Darlene confirms that approximately 150K was spent on the initial renovation leaving approximately 700K to complete the project.

Status of the Construction

The construction today is in its final stages. Completion of elevator and lobby areas remain a challenge as do many of the loose-ends. HVAC is close to completion, as is plumbing and electric. The lower level will be ready for insulation and sheet rocking when plumbing is complete.

The space will be weather-proof and heat will be supplied on Friday, Jan 5.

Credibility

How do we know that we're projecting accurately now and won't go over again?

The answer is that it's impossible to know for sure, however, I've asked Paul Trapani to review numbers and projections; I've asked both Paul Trapani and George Majestic to provide construction and cost oversight through completion of the project. They've agreed.

I've asked Warren Wiegand to work with me and the Town Board, along with Dave Brennan or John Adams, to provide procedural and reporting oversight.

David Brennan has been advising on the matter during the day today.

Procedural Points

- We haven't yet exceeded our spending but we are committed.
- Other than "sealing" the space, work cannot continue past this week.

- If the Board chooses not to borrow -- the suggested amount, as of this writing, is \$150K -- the project is abandoned until the Board chooses a new direction. This is similar to the scenario that took place in 2003.
- If the Town Board chooses to borrow additional monies for more than five years, the decision is subject to a permissive referendum. A petition must be submitted within 30 days.
- If the Board chooses to borrow additional monies for five years or less or to use unexpended surplus funds, then NO permissive referendum is necessary.
- Since timing is important, the Board can resolve to borrow this amount immediately to get the ball rolling and explore financing options. At anytime during the process the Town Board can repeal the resolution.
- If the Board chooses to borrow for more than five years and a petition to bring the loan to referendum is received, a general election could be held in approximately 60 days following receipt of the petition. Meanwhile, the project would be halted during that time (any effort to encourage or discourage the petition is a political decision and is not a part of this discussion).

Next Steps

- On Tuesday and Wednesday, (Jan 2-3), I'll be meeting with Warren, George, Paul, and Attorney.
- I won't be able to discuss any details until Thursday morning; however, I'd like to present this memorandum publicly, Jan 2.
- With all the information in hand, the Board can a) decide immediately to borrow the additional funds, b) have a special meeting to discuss only this matter on Thursday, or c) consider and deliberate at its leisure.

Notes

- Again, any effort to encourage or discourage the petition is an individual and political decision and is not a part of this discussion

- The root cause of the overrun is not discussed here. Though, it is the Town Board's right to question, it should be distinguished from how best to proceed.

- If the Board chooses to proceed with the loan, timing is key.

Thank you and I apologize in advance for this news.

CZ