



Office of the City Manager

TO: Honorable Mayor and Members of the City Council

FROM: Patrick Urich, City Manager *PUK*

DATE: August 19, 2011

SUBJECT: Issues Update

The following are issues related to the City for the weekly Issues Update. If there are additional items you believe should be included, please let me know.

RIVERFRONT VILLAGE REPAIRS. A portion of concrete fell from the ceiling of the parking deck about two weeks ago onto a car causing minor damage to the vehicle. National Garages was contacted and advised staff of this incident. In response, staff decided to check the other areas of the garage and have determined there were sections of loose concrete that could potentially separate from the structure and could fall. Currently, staff is removing loose concrete to avoid future incidents. As these areas are exposed, we will engage a structural engineer to review the work. We will also be working to remove some of the rust from the steel and repaint. Sealing these areas with new concrete is not yet planned as we need to determine the full scope and find a contractor to perform this work. We will most likely need to bring this forward to City Council as the costs will exceed \$10,000.

2nd QUARTER HEALTH CARE BUDGET REPORT. Included in this week's Issues Update is the 2nd Quarter Health Care Budget report and the report shows that Health Care is currently running under budget by 12.67%. **(Electronic Copy Only)**

PRESENT VALUE OF CITY'S INITIAL CONTRIBUTION TO THE BUSINESS DEVELOPMENT FUND. At the July 26, 2011 City Council meeting, Councilman Sandberg asked if staff could determine the present value of the funds that started the Business Development Fund (BDF). In 1988, the City received a \$500,000 grant from the Economic Development Administration that it matched with \$269,232 of its own corporate dollars. The combined \$869,232 has resulted in \$3,777,967 in BDF loans, which in turn has leveraged \$45,434,776 in private financing.

This analysis is limited to the value of the City's contribution since it is reasonable to assume that the EDA funding would not have been available for any use other than the creation of the BDF. Staff has looked at this in three separate ways:

1. According to the Consumer Price Index, \$269,232 in 1988 would be worth \$738,173 in 2011.

2. The City could have invested its initial contribution in a different vehicle. The general, risk-adverse investment strategy of utilizing certificates of deposits, treasuries and the like has rarely yielded a greater return than 4% over the past 20 years. Even if the City had diverged from that strategy and invested the funds in the stock market and witnessed a 7% average annual return, the principal would have yielded a 2011 total of \$1,276,302.34.
3. The City could have used its initial contribution to instead pay down (or avoid) a debt of an equal amount. In that case, the total savings to the City over a standard 20 year period (at 5% interest) would have been \$432,077.

These calculations ignore the impact of the job retention and creation that occurs because of the Business Development Fund. According to submitted paperwork, BDF loans have helped businesses retain 1285 jobs and create 645 jobs over the life of the program.

WILHELM ROAD BRIDGE. All of the pre-requisites for the construction of Wilhelm Road Bridge have now been satisfied. The Construction Contract has been signed and work will be commencing immediately.