

SANIBEL CAUSEWAY RE-CONSTRUCTION

April 22, 2013

Executive Summary

In conformance with the Consulting Contract dated March 5, 2013, I have completed the Assignment following the Objective of the engagement and services to be performed. I have reviewed all documentation, communications and financial information regarding:

1. Sanibel's Interlocal and Settlement Agreement with Lee County:

The current **Interlocal Agreement** (Exhibit "A") went into effect on June 11, 2002. It provides for the Agreement to remain in effect as long as any Parity Bonds remain outstanding. It requires the County, which owns the Causeway, to maintain the Causeway in good repair and in sound operating condition. It called for biennial inspections. During one of those inspections the County determined that the Causeway bridges needed to be replaced. The County projected that the construction would commence in 2004. The City and County agreed that the City would receive 21% of the net revenues derived from operation of the Causeway. Net revenues were described as Gross Revenues less Operating Expenses, Debt Service for the Causeway, and Renewal and Replacement costs. The City had concerns about the design of one of the Bridges, reached an impasse with the County, and filed suit to force the County to revise the plan.

The Settlement Agreement (Exhibit "B") between the City and County was executed on March 1, 2005. It allowed the County to proceed with its plans to re-construct the Causeway as designed. It re-stated the existing County 79%/City 21% split of the surplus revenues; it required increasing the tolls due to incurring costs of the construction of the new Causeway and Toll Plaza, and it included a Financing Model by the County that projected the potential rebate to the City and how it was to be applied. (Exhibit "B" of the Settlement Agreement). The Agreement states that all toll surplus revenues are to be applied by both parties to extinguish Junior Lien Debt or General Fund Loan. The County agreed to use its "best efforts" to pay off this obligation substantially by 2010, and completely by 2012. Through information received to date from County DOT Management, and confirmed by the County Clerk's office, it has been projected that the Junior

Lien will be paid off during Fiscal Year 2014. The Agreement also requires the County to hire a Traffic and Revenue Consultant in anticipation of the Loans being paid off, in order to determine whether there are sufficient funds to pay the debt service, and, if there are, the County shall review other options for use of the surplus funds. The DOT Director has confirmed that the County will be issuing an RFP shortly for this review and recommendation. There was also a statement in the Agreement that no additional sums will be added to the debt after initial establishment of the amount of the Loans. There were two Commercial Paper authorizations by the Board of County Commissioners in 2004. One was for \$40 Million in June and \$45 Million in November. The County has informed us that of that amount, only \$43,500,000 was actually borrowed and the remaining balance of the loan was replaced by an Interfund Loan of \$20,500,000 in 2009. (See Junior Lien below)

The Financing Model which was included as Exhibit B from the Settlement Agreement, was a projection made by the County prior to completion of the Causeway and Toll Plaza construction. It has been updated through 2018 by the County upon our request. (Exhibit C)

2. The contracts and engineering design reports on file for the re-construction of the bridges and toll plaza:

There were two Design Consultants used for the Causeway bridges and Toll Plaza: Hardesty and Hanover Exhibit (D) was the Consultant for Span "A" at an original contract price of \$800,000; and URS Corporation Southern (Exhibits E & F) was the Consultant hired by the County for the Toll Plaza and Spans "B" & "C" of the Causeway at an original contract price of \$3,130,600 for the bridges, and \$1,805,000 for the Toll Plaza. During construction there were additional payments made to the Consultants as a result of several change orders.

3. The actual cost of re-construction and the bonded indebtedness and additional financing required for completion, including the reserves set aside to assure payment:

COST TO BUILD CAUSEWAY AND TOLL PLAZA

The original estimate in December 2004 was **\$122** Million for the entire project, including the Toll Plaza, which was conveyed in Press Releases and County “Blue Sheets”. At final completion in 2008, Jacobs Construction Services, the Construction Manager for the Bridges and Toll Plaza re-construction, was paid \$132,090,434, which included 17 change orders. An additional \$12 Million was spent for soft and other hard costs, bringing the actual total for the Causeway and Toll Plaza to **\$144** Million, a **\$22** Million overrun. The Toll Plaza cost almost double the estimated amount (\$9,000,000 estimate vs. \$17,000,000 actual), and there was a payment of an additional \$1 Million as a result of inaccurate information regarding the depth of the piers that the Contractor had to work with. There were many other changes along the way during the 4 years to complete the job, due to weather conditions and other unforeseen occurrences, according to the documentation I reviewed.

HOW THE CAUSEWAY AND TOLL PLAZA WERE PAID FOR

There were several different funding methods used: 2005B Bond, Florida DOT borrowings, County & City Surplus toll funds, Commercial paper and Interfund Loans.

The 2005B Bond had a face value of \$63,865,000. There were additional add-ons to the Bond so the total available to finance the Causeway and Toll Plaza was \$69,000,000. The County borrowed \$3,877,606 from Florida DOT. The Renewal and Replacement fund was tapped for an additional \$4,962,725. The County took out loans, which were Commercial Paper available through the auspices of the Florida Association of Counties, totaling \$43,509,922, and the balance of \$23,200,704 was made up by Sanibel Toll Surplus funds.

Funding Source	Bridge	Toll Plaza	Total
2005B Bond	\$69,000,000	\$ 0	\$69,000,000
Commercial Loan	32,016,262	11,493,660	43,509,922
Surplus Funds	19,027,849	4,172,855	23,200,704
R & R Funds	4,962,725	0	4,962,725
FDOT Loan	3,046,715	830,891	3,877,606
Totals	\$128,053,551	\$16,497,406	\$144,550,957

Instead of cash on deposit, the reserve for the Bond payment was secured by a Surety Company for a fee.

It is important to note that the schedule of re-payments for Sanibel's Bond 2005B increase by \$1,000,000 annually in 2018, from \$3.8 Million to \$4.8 Million. However, there is also a prior 2001A Transportation Facilities Bond from 2001 that the City is obligated for, but it has been paid down and replaced by a Bank Loan. Sanibel's share of the payment of this Bond has been averaging approximately \$900,000 per year. Since this obligation has been projected to be paid off during fiscal year 2017, it will lessen the burden of the \$1,000,000 payment increase of the higher 2005B debt service principal payments.

Sanibel's Bond Coverage (net revenues available to pay annual debt) in 2011 was 2.27, while the Cape Coral Bridges are averaging half that amount of coverage. Overall in 2012 the County's Transportation Bond coverage is 1.74. The requirement for Lee County is 1.2 for all Senior Lien debt.

4. The status of the Junior Lien:

Originally \$43,500,000, the Commercial Paper Loan balance of **\$20,500,000** was paid off by a County Interfund Loan in 2009, of which a remaining balance of **\$6.2 Million** is projected to be paid off during Fiscal Year 2014. This is considered what's left of the Junior Lien now. (Depicted in Exhibit "C" Column C2)

5. The engineering and maintenance reports since the completion of the Causeway and present conditions of the bridges:

Attached as Exhibits G through R are the inspection reports for all of the individual bridges (Spans A, B & C) through January 2013. The 2011 inspections mentioned concerns about cracking, so the County hired CDM Smith to conduct an investigation in June 2012. Their recommendation was to monitor the status of the cracking every 6 months to determine if the cracking was stabilizing or increasing.

The most recent inspection was a Beam Cracking Report by T. Y. Lin in January 2013. Their inspection report stated that the cracking was somewhat "normal" and their recommendation is to continue to monitor

the cracking every 6 months to determine if the cracking is stabilizing. Both Consultants do a lot of work for the County. There was a brief discussion about design defects in the reports, but the findings were inconclusive. Lee Transportation Department (DOT) is having the County Attorney's office look into whether there were any warranties for the construction and/ or the design, in the event the cracking worsens.

6. The amount and use of funds collected from the tolls paid and their application by the County:

Sanibel's **net** revenues have been consistently higher than the other two bridges. Also the revenues from the fees for transponder sales and other fees that are collected by Leeway appear to be barely a third of the costs to maintain the transponder program.

The "Annual Traffic and Revenue Report for Fiscal Year 2012 Lee County Toll Facilities" (Exhibit S) provides a plethora of statistical financial and operational data for each Lee County Toll Facility.

Based on an updated Interlocal Financing Model (Exhibit "C"), created by the County at our request, **Sanibel should anticipate receiving \$527,000 as its 21% share of the surplus starting in Fiscal Year 2014.** During years 2015 through 2018, Sanibel's share of these revenues should approximate \$981,000 each year. The Settlement Agreement states "surplus toll revenues shall be used for any lawful transportation purpose."

7. Information on the County's toll revenues and charges against the Causeway line item account:

The County DOT's Fiscal Manager assured me, and DOT Director David Loveland assured City Manager Judie Zimomra in an email, that no Sanibel surplus funds were used for anything other than the Sanibel Causeway and Junior Lien Debt re-payment, since the Settlement Agreement was signed in 2005. I asked for and received evidence of where the money came from for the following projects: Summerlin and Gladiolus widenings, the Summerlin Overpass and improvement to Boy Scout, as well as the Colonial Expressway (since terminated) and Colonial widening. None of the costs were paid for by the Sanibel Toll Surplus funds.

8. Was any additional funding of projects charged to the Sanibel Causeway account or taken out of Surplus Toll funds?

I could find no evidence of the use of Sanibel Toll Surplus funds for any other projects besides the Causeway and Toll Plaza re-construction. Some entries were found whereby surplus funds were used to pay for other projects, but they pre-dated the Settlement Agreement in 2005, which established that surplus funds could only be used for the Causeway project.

Summary of Exhibits

Exhibit	Description
A	06-11-2002 Interlocal agreement between Lee County and the City of Sanibel
B	03-01-2005 Settlement agreement between Lee County and the City of Sanibel
C	Updated Transportation Facilities Financing Model "Exhibit B" of Settlement agreement prepared by County
D	Causeway Span A - Hardesty and Hanover Consultant agreement
E	Causeway Span B & C – URS Corporation Southern Consultant agreement
F	Toll Plaza Consultant Agreement - URS Corporation Southern Consultant agreement
G-R	Engineering and Maintenance Reports – 2007 (3), 2009 (3), 2011 (3), 2012 & 2013
S	Lee County 2012 Annual Toll Facilities Report