



MEMORANDUM

TO: Sanibel City Council

FROM: Kevin Ruane, Mayor

DATE: May 23, 2013

RE: Sanibel Causeway

It was determined at our May 7, 2013 meeting that the Sanibel Causeway should require further analysis and an in depth review of the information that was received. At that meeting a report of approximately 820 pages was delivered to Council in our iPad package in PDF digitation fashion to review and discuss the various issues associated with the audit. I believe that it is necessary to continue an ongoing relationship with Lee County and Sanibel as it pertains to the Sanibel Causeway. We have worked extremely hard to rekindle that relationship and should continue on the same path we have traveled. The next steps and the delivery of this message are essential in maintaining that relationship and continue to build upon it.

The Settlement Agreement and the Interlocal Agreement executed by officials from the City of Sanibel as well as commissioners from Lee County in essence is a legally binding contract between the parties that basically should be followed accordingly. Consequently, the Interlocal Agreement indicates an inspection of the bridge as well as a financial review of the revenue and expenses can be performed on a biennial basis. Therefore, we have two separate pieces associated with the Sanibel Causeway audit before City Council. The first part is to review the total cost of building the causeway, the appropriate financing and carrying expenses, the renewal and repair expenses and any others operating expenses to determine the net revenue. The second part is a process put in place to review the inspection reports and the financial pro forma reports. With that in mind, I believe it is our responsibility to discuss these as separate items.

It was agreed upon by Council that we would break this into two parts, the first part being one that we would look at and ask for any additional information necessary to review and give further reports, analysis and comments relative to the construction of the bridge. The Sanibel Causeway was constructed and built in 2007. It opened with a cost of approximately \$144,000,000 consisting of \$22,000,000 in overruns. The causeway had approximately 17 change orders for a total cost of \$132,000,000 and \$12,000,000 of additional soft costs. The questions that one may arrive at are:

1. What is the total cost of the causeway? I believe we can be comfortable that the cost of the bridge was approximately \$144,000,000 as the financing necessary to secure financing of municipal bonds. The municipal bonds and the financing of the bridge required a Financial Report given to the bondholder that would indicate the total cost of \$144,000,000 and how that was derived. I believe the total expense of \$144,000,000 utilized is valid as many other agencies (financial regulatory and insurance) have determined that to be an accurate number.
2. What were the reasons for exceeding budget by \$22,000,000? The largest single overrun expense of \$8,000,000 was associated with constructing the toll plaza. Also, pointed out in the report was an overrun of \$1,000,000 associated with an inaccurate report with regards to the depths of the piers the contractor had to work with. The question/additional information may be required to better determine what the remaining \$13,000,000 of overruns might have been.
3. What were the various types of financing utilized to pay for the Sanibel Causeway? We should review the financing put together and the laddering of the various debt instruments that were created to finance the Sanibel Causeway. This should be accurate as investment firms and regulatory agencies associated with the debt have a responsibility to the bondholders.
4. What are the remaining expenses that need to be reviewed? The repair and renew expenses and any other operating expenses. These items might be considered/required to be viewed for additional scrutiny/information to better understand them.

The Settlement Agreement that was signed in 2005 indicated that Sanibel would forego all of its revenue, approximately 21%, for a period of time until the second lien known as the junior lien would be paid off. At that time Sanibel would then be in a position to receive its revenue stream of approximately 21% of the net dollars. It is important to understand not only the actual revenue coming in the door, but the various expenditures and deem them to be appropriate. At this point in time I think we should look into a couple of items relative to the building of the causeway and approximately \$13,000,000 of overrun expenditures and request additional documentation so we can completely understand this overrun. As some Council members may be aware, when the bridge spans A, B and C were built, span C as it enters into Sanibel was constructed and deemed to have some flaws in the roadway pertaining to safety and that roadway and/or entry into Sanibel had to be reconstructed. As a Council member, I would like to understand what that additional cost was associated with design flaw and all appropriate documentation associated with the overruns.

The second part of this process that we should follow has to do with our Interlocal Agreement. In March 2005, the City of Sanibel and Lee County entered into a Settlement Agreement to resolve any outstanding claims between the appropriate parties relative to a dispute associated with the Sanibel Causeway. With that in mind, the underlying document that needs to be followed as indicated is our Interlocal Agreement. Within that Interlocal Agreement, there is an opportunity for us to go through bi-annual review of maintenance and finances each year. My suggestion is we need to work with the County and certainly not undermine anything that they

are doing but act as a partner by reviewing their reports and make any recommendations accordingly. I would suggest that we go through our bi-annual process of evaluating the structure, the reports associated with the structure and any other additional information that we can review. If the City Council believes there is a desire for a second opinion than an outside engineering consultant with a background that is associated with bridges specifically to give us any additional insight or opinions.

The second part is the financial review which we should again look to Council to review the bi-annual information of revenue for that six month period of time, the various debt obligations paid, the R & R expenditures and any other operating expenses. Upon the review, we can determine if any additional supporting documentation is required to further our understanding of that six month period.

Lastly, I believe that as a product of this review, both structural and financial, we can give the County some greater insight and recommendations as the appointed elected officials to interact with the County and suggest in letter form, email form or verbal form the opportunity to continue to strengthen and improve the transparency when it comes to financial as well as structural endeavors. This would not be limited to assist a structural and financial commitment, it also would allow us any other opportunity to discuss and/or review any other conditions we feel appropriate.

KBR/jg