



MEMORANDUM

TO: Mayor Burch and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: Owens-Brockway Judgment Funds

DATE: September 10, 2015

As you know, the City received \$883,000 through the Owens-Brockway judgment. The most recent discussion with regard to the disposition of these funds was postponed while staff awaited additional information on the cost of the reconstruction of parking lots 4 and 10 and the former Corral property.

At my request, the City's consulting engineers for the project prepared a cost estimate based on the preliminary drawings. This estimate, which includes a 20% contingency, is \$433,500. With engineering costs, including those previously authorized by Council, we estimate the total project to cost about \$500,000.

The current budget includes an assigned fund balance of \$180,000 for parking lot improvements. Unassigned general fund fund balance is projected to be \$1.3 million at June 30, 2016. This amount is equal to 26% of projected general fund expenditures, an amount that is \$300,000 in excess of our target of 20%. These are additional funds that could be dedicated to this capital investment in lieu of using the Owens-Brockway funds for this purpose.

You will recall that my report on the subject of funding street rehabilitation included revenue to be derived from investing the judgment funds. Finance Director Christine Mossner and I have done some initial research into investment options available to the City. Information we have obtained indicates that we could expect in today's market to receive returns

between 1.5% and 3.4%. The upper end of this range is a bit below the 4% return that I estimated. As the economy improves and the Federal Reserve raises interest rates, we should expect to see higher returns in future years.