

Date: 3.09.2018

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Project: Camp Seagull Project Review

Remarks:

As outlined in our **Proposal to Perform a Cash Flow Review for the Boat Launch and Fishing Pier Project**, dated February 15, 2018, Beckett & Raeder and Hill Schroderus & Co, LLP, performed a review of documents and financial statements related to the project. Both firms collaborated on the preparation of the assessment and on March 7, 2018 met with the Project Engineer to review the project budget, discuss project schedule, drawdowns, and project-related costs.

The information that we relied on to perform our assessment included:

- 1) Financial statements of Township accounts provided by Hayes Township,
- 2) Copies of grant agreements and applications provided by Hayes Township,
- 3) Copies of construction bid documents, drawings and addendums provided by Performance Engineers, the project engineer, and
- 4) Copies of the bid results provided by Hayes Township.

We appreciated the timeliness of the information compiled and submitted by both the Township and Performance Engineering, the Project Engineer.

Attached are two tables for your review. Table 1 enumerates the Project Costs and Table 2 is the Cash Flow Assessment.

Table 1 provides a summary of the grants related to this project, the grant amount and the local match commitment by the Township. There are several components that should be noted:

- 1) The Land and Water Conservation Fund and the Great Lakes Fisheries Trust grants use the local match from the Waterways Grant as their respective local match. Although this is allowed under certain grant programs and has a benefit of reducing local matching funds required for the project it also decreases the availability of funds needed to fund the project. For example, if the Township had a project with a project budget of \$400,000 and applied for two \$200,000 grants which required a 50% match and the local match of \$100,000 was used as a local match for both grants the resulting amount of funds would equate to

\$300,000. As a result, you would end up with \$300,000 to fund a \$400,000 project budget. This situation accounts for a portion of the disparity between the total application amount (\$1,665,800) and total source of funds available (\$1,410,800).

- 2) The apparent low bidder, MDC Contracting, LLC submitted a base bid of \$1,759,123.75. At the March 7, 2018 meeting the Project Engineer indicated he had conversations with the contractor and reduced the base bid to \$1,420,000 resulting in a construction cost reduction of \$339,123.75. The Project Engineer indicated these reductions included substitution of different materials and removal of non-grant related items. These changes will be disclosed by the Project Engineer to the Board of Trustees as part of the bid review and award process. As part of this assessment the reduced scope number of \$1,420,000 was used in the cash flow assessment.
- 3) In consultation with the Project Engineer a 5% construction contingency was added to the project budget accounting for \$71,000. Typically, a construction contingency budget accounts for 10% of the construction cost, however, the Project Engineer has previous experience with the apparent low bidder and is comfortable with a lower contingency value. Please note that construction contingency may or may not be used and is a variable dependent on unknown conditions not contemplated during the design and engineering portion of the project.
- 4) The Project Engineer agreement has construction administration, inspection and testing which are factored into the total project budget amounting to \$32,000.
- 5) The difference between Total Source of Funds Available and Total Project Budget results in \$112,200 of additional Township funds needed to cover the project budget.
- 6) Net Township expenditures are estimated at \$595,600 which includes the local match committed by the Township for the Waterways grant and the Additional Townships Funds needed for the project.

Lastly, during the bidding process various addendums #1, #2, #3, #4, #5 and #6 were issued. A review of the bid documents and addendum did not indicate if the revised engineering/design modifications had been reviewed and approved by the permit agencies (MDEQ and the U.S. Army Corps of Engineers) prior to bidding. This condition is noted because disapproval of the alternate design or modifications requested by the permit agencies may influence the project budget which have not been accounted for in the cash flow assessment.

Table 2: Boat Launch Cash Flow Assessment forecasts Township available cash consisting of unrestricted property taxes, state revenue sharing and other receipts against anticipated construction payments and grant reimbursements. There are several components that should be noted:

- 1) Several grants have been already disbursed to the Township. These include the first payment of the Great Lakes Fisheries grant (\$35,100), Grand Traverse Band

- 2% grant (\$20,000) and the Great Lakes Energy grant (\$10,000). These amounts are already included in the Beginning Available Cash (\$1,028,392).
- 2) The Land & Water Conservation Fund will require documentation of \$300,000 in construction payments to be reimbursed the grant amount of \$150,000. This is a result of using the Waterways Grant as local match for the Land & Water Conservation Fund grant.
 - 3) Once the Township Board approves the project and executes a contract with the contractor payment #2 can be submitted to the Great Lakes Fisheries program for \$175,500.
 - 4) The Ending Cash Available reflects the difference between the Beginning Available Cash and the construction payments and grant reimbursements.

Based on the Cash Flow Assessment which anticipates larger project-related payments in August, September and October, the final determination by the Board of Trustees regarding what reductions to make from the base bid and the potential change influenced by the permit agencies, if any, it would be prudent for the Township to consider a line of credit in the amount of at least \$250,000 to manage cash flow and cover any unanticipated cost escalation.

Thank you.

Hayes Township
BOAT LAUNCH BUDGET
Table 1

Sources of Funds Available	Total Application	Grant	Local Match	
Land & Water Conservation Fund (LAWCON)	\$ 300,000.00	\$ 150,000.00		<i>\$150,000 of Waterways local match used toward local match</i>
Great Lakes Fisheries Trust	\$ 339,000.00	\$ 234,000.00		<i>\$105,000 of Waterways local match used toward local match</i>
Waterways	\$ 966,800.00	\$ 483,400.00	\$ 483,400.00	
Charlevoix County Recreation	\$ 30,000.00	\$ 30,000.00		
Great lakes Lakes Energy Fund	\$ 10,000.00	\$ 20,000.00		
Grand Traverse Band 2%	\$ 20,000.00	\$ 10,000.00		
	\$ 1,665,800.00			
Total Source of Funds Available	\$ 1,410,800.00	\$ 927,400.00	\$ 483,400.00	<i>Waterways local match was also used as local match for LAWCON and Fisheries Grant</i>
Construction Cost <i>MDC Construction LLC</i>	\$ 1,420,000.00			
Construction Contingency <i>5% of Construction Cost per Performance Engineering</i>	\$ 71,000.00			
Engineering / Inspection / Testing <i>Performance Engineers</i>	\$ 32,000.00			
Total Project Budget	\$ 1,523,000.00			
Additional Township Funds	\$ 112,200.00			
Net township expenditures (Additional Township Funds plus Local Match)			\$ 595,600.00	

Hayes Township
BOAT LAUNCH CASH FLOW ASSESSMENT
Table 2

	2018										2019											
	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December
Beginning available cash	1,028,392	1,054,392	868,892	996,192	979,692	823,192	403,192	89,192	20,392	75,892	201,952	276,692	382,692	408,692	398,692	364,692	356,692	325,692	326,692	312,692	307,692	273,692
Unrestricted property taxes	60,000	-	-	-	3,000	7,000	20,000	-	-	-	60,000	115,000	60,000				3,000	7,000	20,000	-	-	-
State revenue sharing		24,000		25,000		27,000		29,000		28,000		25,000		24,000		26,000		28,000		29,000		28,000
Other receipts	a. 1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
General township payments	b. (35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Total Project Costs	(1,523,000) c.	(175,500)	(14,200)	(7,500)	(125,500)	(420,000)	(350,000)	(368,800)	(60,500)	(1,000)												
Grants:																						
Land & Water Conservation	150,000						50,000	100,000														
Great Lakes Fisheries Trust	234,000 d.		175,500							23,400												
Waterways	483,400							175,000	150,000	109,660	48,740											
Charlevoix Park Millage	30,000							30,000														
GTB 2%	20,000 e.																					
Great Lakes Energy	10,000 f.																					
Ending available cash	1,054,392	868,892	996,192	979,692	823,192	403,192	89,192	20,392	75,892	201,952	276,692	382,692	408,692	398,692	364,692	356,692	325,692	326,692	312,692	307,692	273,692	267,692
Net township expenditures	(595,600)																					

General Notes:

March's beginning available cash was taken from the February 28, 2018 balance sheet cash less \$29,983 restricted for Metro exp.
 General fund property taxes, including admin fees based on an annual amount of about \$265,000. Compares with fiscal 2016 and 2017 actual amounts of about \$260,000 and \$265,000 respectively.
 State revenue sharing amounts taken from State of Michigan website indicating estimated amounts for their fiscal 2018 and 2019 years.
 Unrestricted property taxes, state revenue sharing and other receipts noted above are less than included in Township budget for fiscal 2018, to provide a more cautious calculation.
 Through the seven months ending January 31 ,2018 the GF expenditures are at \$201,000 which at that same rate result in a YE total of about \$345,000

Footnotes:

- a.** Based on total charges for services, interest and other from 3/31/18 budget, allocated evenly throughout year. Note this is less than the actual for FY 17 which was about twice this.
- b.** Based on total budgeted General Fund expenditures less Camp Sea-Gull amounts except electric, maintenance, net cabin improvements and equipment at \$416,596 rounded to \$420,000.
Note the actual GF expenditures for FY 17 were about \$299,000 and for FY 16 were \$300,000 (without capital outlay and the reimbursed church project of 53,000).
- c.** Total Project Budget from Table 1
- d.** Total grant is \$234,000 but Payment #1 in the amount of \$35,100 already received by Township and included in beginning available cash; grant balance is \$198,900
- e.** Payment in the amount of \$20,000 already received by Township and included in beginning available cash.
- f.** Payment in the amount of \$10,000 already received by Township and included in beginning available cash.