



Legislation Text

File #: 18-0433, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Stephanie Katsouleas, Public Works Director

Steve S. Charelian, Interim Finance Director

SUBJECT:

Consideration of Funding Opportunities and Amounts for City Participation in Construction of the Senior & Scout Community Center (Public Works Director Katsouleas).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that City Council discuss and provide direction regarding financing opportunities and amounts for participation in construction of the Senior & Scout Community Center.

FISCAL IMPLICATIONS:

The fiscal implications are unknown pending City Council direction, but may include financial support, staff time, waiver of permit fees and/or other in-kind services.

BACKGROUND:

The Scout House, located adjacent to the Joslyn Center, was constructed in the 1950s by the Boy Scouts and later donated to the City of Manhattan Beach. It has effectively served as a gathering spot for generations of Boy and Girl Scout members and their families. The facility also provides space for Seniors' recreational activities and is occasionally utilized as a meeting room for the community.

On August 7, 2018, City Council directed staff to begin negotiations for the construction and occupancy of a new Scouts and Seniors Community Center with the Friends of Senior & Scout Community Center (Friends), and to return to Council with a summary of various financing opportunities that support the City's desire to contribute funds toward the expected cost of construction of the new building. Council also requested an updated budget projection and schematics of the building design (provided in PowerPoint Attachment).

The anticipated cost of construction, including both interior and exterior design elements, is estimated to range from \$3.1 to \$3.7 million for the approximately 7,000 square foot facility. As envisioned

under this partnership, the City would construct the shell of the building as a public project (Phase 1), and the Friends would complete interior tenant improvements (Phase 2) and cover other miscellaneous expenses. Funding for Phase 1 construction is anticipated to be shared by the Friends and the City, with the ratio to be determined through Council direction. Phase 2 is expected to be fully covered by the Friends. The Friends hope to be ready to commence the construction phase sometime in mid-to-late 2019 pending successful completion of their fundraising efforts.

DISCUSSION:

The estimated cost for Phase 1 construction of the building's core and shell has yet to be fully determined, but is expected to be in the vicinity of \$2.3 million, and include (at a minimum) demolition of the existing building, foundation, framing, rough electrical, mechanical and plumbing, HVAC ducts, insulation and drywall, doors and windows, exterior waterproofing and cladding, and the elevator. Phase 2 tenant improvements are anticipated to include cabinets, furniture, appliances, finish lighting and plumbing fixtures, AC units, flooring, painting, partitions and interior doors, window treatments and casings. Other miscellaneous expenses include A/V operational equipment, etc.

It is important to note that the City's construction-related responsibilities under Phase 1 are independent of its financial commitment to the overall project. Phase 1 construction costs are expected to exceed the City's financial commitment, and as such, the Friends anticipate providing the additional funds necessary to complete Phase 1 and all of Phase 2. However, should Phase 1 construction costs actually be less than the City's financial contribution, it is anticipated that the City's funds would "roll over" to help offset Phase 2 costs.

There are several in-kind services and financing options for City Council consideration, which include:

1. In-kind and Other City Services

This would consist of a combination of both soft and hard costs, at amounts yet to be fully determined, but could be comprised of:

- Plan review and approval, conducted by the City's subcontractor (hard cost; \$10,000); and
- Permit fees (soft costs ~ \$25,000);
- Engineering staff support during bidding and Phase 1 construction (soft costs ~ \$100,000);
- General administrative oversight and support (soft costs ~ \$50,000);
- City inspection services (soft costs ~ \$10,000);
- Construction management and on-site deputy inspection services (hard cost ~ \$250,000 at prevailing wages).

2. Undesignated General Fund Reserves

At the end of Fiscal Year (FY) 2018, the General Fund had an unreserved fund balance of \$5.27 million. For FY 2019, the adjusted appropriations exceed adjusted estimated revenues, resulting in a deficit of (\$896,000), and scheduled net transfers out of the General Fund total an additional \$2.1 million. This will result in a decrease in the unreserved fund balance by \$3.0 million. These transfers support Storm Water, Street Lighting and Landscape, IT Technology (ERP purchase) and Pension Trust Funds. In addition, policy reserves have increased by

\$858,000. Based on these numbers, the projected unreserved balance will decrease by approximately \$3.85 million, leaving an unreserved fund balance of \$1.42 million by the end of FY 2019.

Unreserved funds that have not been otherwise designated by City Council may be used for a variety of projects and initiatives. City Council may consider using a portion of these funds to support construction of the Senior & Scout Community Center by appropriating them from the unreserved fund balance in the General Fund.

3. Capital Improvement Fund

The Capital Improvement Program (CIP) allocates funding on a 5-year basis (currently 2018-2022). The CIP Project Listing attached summarizes the eight projects in the CIP Fund currently underway, with \$5.9 million in funding already committed through FY 2018-2019. There are an additional 14 projects in the 5-year CIP queue not yet initiated, valued at approximately \$3.7 million, for which funding has been designated through the biennial CIP process but not yet encumbered. There are also 10 projects on the Unfunded List, valued at over \$30 million, that only qualify for CIP funding (or grants if they become available). And lastly, there is \$21 million in need for projects that qualify for enterprise funding, although the City's current enterprise funds are unable to support these projects within the next five years without increases to those enterprise revenue streams.

Should City Council desire to re-designate funding from any previously approved, but yet-to-be initiated CIP projects, staff suggests priority consideration be given to the following projects and amounts:

- \$250,000 Begg Field; with the balance reserved for necessary Polliwog Park upgrades (e.g., play equipment, play surfaces, stage)
- \$200,000 HR and CommDev Remodel remaining funds
- \$100,000 Park Master Plan

\$550,000 Total Reserve Consideration

4. California IBank Programs

The attached document provides an overview of the California Infrastructure and Economic Development Bank (IBank) Program. The Program offers two financing options to municipalities, including:

- *California's Infrastructure Revolving Fund Program.* This Program provides low-interest loans to government agencies for major capital projects, with funding ranging from \$50,000 up to \$25 million for loan terms up to 30 years. Applications are accepted on a continual basis.
- *Bond Financing Program:* Public Agency Revenue Bonds; terms vary

All or some portion of the City's contribution toward construction of the new senior and scout facility could be financed through either of the State's two qualifying IBank loan programs. Utilizing this resource may also prove to be a good test case for potentially financing the new Fire Station 2 facility, expected to commence in early 2020.

CONCLUSION:

Based on the funding sources identified above, staff recommends that City Council discuss and provide direction on what type of financial and/or in-kind contribution(s) and amounts should be allocated toward participation in the construction of the Senior & Scout Community Center. It is anticipated that such funding would not be needed until FY 2019-2020.

PUBLIC OUTREACH/INTEREST:

Construction of a new Senior and Scout House has been discussed in a variety of public forums, including at least three previous City Council meetings and with senior groups, scout groups and City staff. Further outreach regarding the project will be conducted at the appropriate design and construction stages as the project progresses.

ENVIRONMENTAL REVIEW

The City has reviewed the proposed recommendations for compliance with the California Environmental Quality Act (CEQA) and has determined that consideration of funding is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. CIP Project Listing
2. Infrastructure Bank Financing Program
3. PowerPoint Presentation