

# Agenda Report

TO: CITY COUNCIL  
FROM: CITY MANAGER  
SUBJECT: STATUS REPORT ON CITY HALL SEISMIC FUNDING

## RECOMMENDATION

There is no recommendation. This report is for information only.

## BACKGROUND

Subsequent to the City Council's decision of January 31, 2000 to select the base isolation and new office wing alternative for the restoration and seismic upgrade of City Hall, the Citizens Finance Committee has met and discussed a variety of issues related to the financing of the proposed project. This report is to update City Council on the activities of the Committee and city staff.

### Federal Emergency Management Agency (FEMA)

This project is estimated to cost approximately \$96.6 million. To date, the City has Federal Emergency Management Agency funding in the amount of \$6.6 million dollars and state matching funds of \$1.3 million. These funds are federal funds that are disbursed by the State Office of Emergency Services (OES). Currently, staff is awaiting a draft Memorandum of Understanding and instructions from OES on how to finalize securing these funds.

Based upon recent discussions with FEMA, it does not appear promising that the City will receive any additional financial support from FEMA at this time. Further FEMA "emergency abatement" money would only become available with the declaration of an emergency and the City would have to compete with all eligible municipalities. Pasadena reported only minor damage to City Hall as a result of the Northridge earthquake and in the view of OES, they have been very generous to the City in providing the nearly \$8 million received.

## Federal Funding

On February 14, 2000 City Council authorized a contract with Cerrell & Associates for advocacy services in connection with efforts of the City Hall Finance Committee to secure Federal and State funding.

As a result of these meetings with Federal elected officials, Representative James Rogan has made a request to the House Appropriations Subcommittee with jurisdiction over programs at the Department of Housing & Urban Development (HUD) for \$50 million in FY2001 for seismic improvements to Pasadena City Hall. The subcommittee considered its bill on June 2, followed by full Appropriations Committee consideration on June 6, but no funding was included for Members' individual projects, including the City Hall request. The Senate hopes to take up its version of the bill this month.

The final decisions on funding for the bill will come in a House-Senate conference committee, which will occur once each chamber has approved its bill on the floor. That conference is likely to occur in July, but partisan difficulties unrelated to the City Hall project could push a conference to September.

While it is clear that an appropriation for the full request is highly unlikely, Cerrell Associates believe that some appropriation will be approved. The retrofit of City Hall will be completed over a 3 to 4 year period. Therefore, the project can be funded over a multi-year period. Any funds approved this year will serve as a basis for what would be requested in future years.

U.S. Senator Feinstein has included the Pasadena City Hall project in her submission to the Senate Democratic leadership. The Senator has also agreed to include specific language in the appropriate bill that urges the Director of FEMA to work toward funding the Pasadena City Hall project.

While this language does not provide any direct funding for City Hall, it would put the project in a position of being considered for future funds. The FEMA Earthquake Mitigation Fund is the most direct source of funds for a project such as City Hall but it is currently underfunded. Several projects are waiting for mitigation funds. Pasadena's participation in an effort to get funding from this fund could provide a source of future funds.

## State Funding

Earthquake mitigation funds are essentially a pass-through at the state level. There are limited opportunities for State funding on this project as described above.

## New Legislation

The funding source most directly tied to the retrofit project is the FEMA Mitigation Fund. These monies are available for preventive structural work rather than waiting for a seismic incident that requires rebuilding. The analysis of City Hall clearly demonstrates that preventive work is a more cost effective approach.

All appropriations from this fund have been exhausted or committed and Congress has not reappropriated new revenues. Through the work of Cerrell Associates, the City is aware of several projects in various congressional districts that are awaiting these funds. An organized effort to get federal elected officials to seek appropriations in future budgets could offer the opportunity for Pasadena to receive future funding from this source.

## Local Funding

The demonstration of a local commitment to the project is critical for future federal and state funding. To date the City has committed \$2.3 million toward City Hall. The City Hall Finance Committee has discussed a number of other funding sources as described in this report.

1. Rent savings: While a number of City Hall offices have returned to City Hall, the addition of the fourth wing may allow the Parking and Prosecutor's Offices to return to City Hall an annual rent savings of \$256,000. If the were to be capitalized, this revenue stream could provide \$2.5 to \$3 million in funding for the project.
2. Maintenance savings: Approximately \$9 million of the total project cost is for replacement of the City Hall systems including heating and air conditioning, electrical and plumbing. Currently the cost of maintaining these systems in minimal condition is in excess of \$300,000 per year. Even with this expenditure, the systems are not adequately maintained. New systems would reduce the cost of maintenance and these net savings could provide the project with a revenue stream for capital. Staff is currently analyzing what those savings would be.

In addition, staff is reviewing the possibility of using the Power Public Benefit Charge for the electrical upgrade of the building. Council would also have the ability to adopt a similar charge on water rates for a new plumbing system if desired. There is also a possibility that the project would be eligible for up to \$2 million in reimbursement from Water & Power as an energy savings rebate. The Committee will review these options at a later date and make a recommendation to the Council.

3. Fundraising: The City Hall Finance Committee has also discussed the possibility of local fund raising efforts. These discussions have entailed private donations and corporate sponsorships. The Committee is discussing the possibility of contracting with a private fund raiser to lead this effort.
4. City Capital Reserves: The City Hall Finance Committee has reviewed the existing city reserves that could be used for this project and not jeopardize the City's credit rating. The reserve most applicable is the Charter Capital Reserve. Currently, this reserve has approximately \$10 million. The \$600,000 annual interest earnings from this reserve covers a portion of the debt service on various General Fund bonds. If the Council were to commit these funds towards the City Hall project, other General Fund operating expenses would have to be reduced or additional revenues identified in order to maintain a balanced budget.
5. New revenues: The City Hall Finance Committee is also discussing the possibility of a ballot initiative to raise funds dedicated to the City Hall project. In order to make an informed recommendation to the Council, the staff and committee are working on a survey to determine how important the City Hall project is to the residents of Pasadena. That survey is underway and the results will be available in July.

Several alternative revenue sources are also being considered. These include increases to the Transient Occupancy Tax, an increase in the Utility User Tax, an imposition of a Parcel Tax and an imposition of a General Obligation Tax. Given the rate increase that would be required to generate the amount of dollars necessary, the Transient Occupancy Tax is not being given serious consideration. All other options are still being reviewed.

### Conclusion

Staff and the Committee believe that this project will require multiple-year funding from a variety of sources ranging from private fundraising, federal and state governments, city contributions, industry grants, demonstration projects and operational savings. A question that the committee and staff have struggled with is which piece should go first to maximize our funding opportunities.

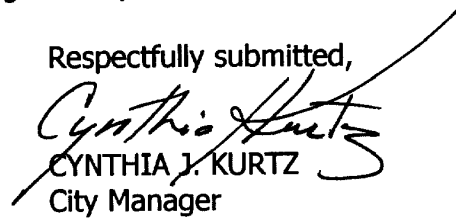
Through the work of Cerrell & Associates it became clear that other parties (state, federal and private funding sources) would be more inclined to provide funding for the project if there were a local commitment in place. Discussions regarding this commitment have included options such as a voter approved tax, asset transfer certificates of participation, a multiple year General Fund contribution, tax credits, and devoting savings realized from operating

efficiencies. The committee also felt that private fundraising would be easier if there were a significant commitment in place by the City.

FISCAL IMPACT

There is no fiscal impact as a result of this agenda report.

Respectfully submitted,



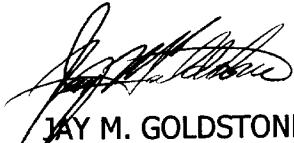
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