

Agenda Report

TO: City Council April 22, 2002
FROM: City Manager
SUBJECT: City Hall Seismic Retrofit Project - Recommendations for Project Scope and Funding Plan

RECOMMENDATION

It is recommended that the City Council:

- A. Approve the recommendation of the City Hall Restoration Oversight Committee to retrofit and rehabilitate City Hall as follows: installation of base isolation; construction of a reinforced arcade on the Euclid Street side with a basement and foundation designed to support an east wing if the City chooses to construct an east wing in the future; replacement of all substandard mechanical, electrical and plumbing systems; full exterior and landscaping rehabilitation; full interior rehabilitation including historical restoration of selected areas; and installation of Americans with Disability Act (ADA) improvements and additional life safety systems as required to meet current code requirements at a projected cost of \$88,795,000. This cost is in addition to the \$3.6 million spent since the early 1990's in preparation to this point.

- B1. Approve the recommendation of the City Hall Finance Committee to finance the project as follows: apply the \$7.3M in FEMA funding; increase the General Fund Transfer (Transfer) from the Electric Utility to 8% and dedicate the additional 3% cash flow to this project; continue to seek grants and other third party funding; allocate and expend the \$5.0M in General Fund dollars reserved for this project by the City Council during the first quarter of this fiscal year; reallocate and expend \$500,000 appropriated by the City Council as part of the fiscal year 2002 adopted budget intended to cover a portion of any rental payments were employees required to vacate City Hall midway through the 2002 fiscal year; appropriate up to \$3.3M annually from existing General Fund revenue sources; capitalize the cash flow from the increased Transfer and the \$3.3M appropriation to issue bonds that will yield net proceeds in the approximately amount of \$67M; utilize the approximately \$500,000 of funding previously appropriated for this project in the Capital Improvement Plan but not yet spent; provide the remaining funds from the \$3.3 million and the revenue generated by the increase in the Transfer during the

first 18 to 24 months prior to the issuance of the bonds and during the first 18 months following the issuance of the bonds.

OR

- B2. Approve recommendation B1, but authorize the utilization of \$6.4 million in the Electric Utility's Public Benefit Charge (PBC) funds as a buy-down/pre-payment of the Electric Utility's increased General Fund Transfer. This pre-payment would reduce the necessary increase in the Transfer to 2.5%, bringing the total Transfer to 7.5%, annually.
- C. Direct staff to begin the steps necessary to initiate the environmental review process for the City Hall project.
- D. Request that the City Hall Seismic Retrofit Oversight Committee continue to serve as a citizens review committee in an advisory role to the City Council throughout the environmental, design and construction of the seismic retrofit of City Hall.

BACKGROUND

In 1990, the Infrastructure Subcommittee recommended that no further restoration work be performed to City Hall until a seismic analysis was completed. A subsequent seismic risk analysis strongly recommended that the City undertake a seismic strengthening program. Several alternatives to reducing seismic risk were developed and citizen oversight committees were convened to review the alternatives and examine funding options. Attachment 1 provides the City Council with a legislative history regarding decisions made by this Council, as well as previous City Councils, regarding City Hall.

The City Hall Restoration Oversight Committee and the City Hall Finance Committee, have recommended the seismic retrofit and rehabilitation of City Hall, as well as a funding plan for the Project. The City Hall Project Report dated April 16, 2002, (Attachment 2) presents their respective recommendations and provides background on the project. The report summarizes the history of the City Hall Restoration Project, the decision processes of the Committees, the cost estimating methodology, and the recommended budget in the amount of \$88,795,000. Attachment 3 is an August 1, 2001 memorandum prepared by the Director of Finance that describes various local funding options and the estimated tax implications or revenue generating capacity of each option that was considered by the Finance Committee.

The City Hall Project Report also presents several alternatives to the seismic retrofit and restoration recommendations. The first alternative retains the dome and fountain and rebuilds the north and south wings. The second alternative calls for the building of a new city hall. The third alternative considers renting private office space for City purposes.

POSSIBLE ELECTRIC UTILITY RATE IMPLICATIONS

Based on what is currently known about the electric and water utilities it is believed that this additional cost could be absorbed without having to increase utility rates under either recommendation B1 or B2, above. An analysis was completed; however, that examines the impact to the ratepayer should either the 2.5% or 3.0% increase in the Transfer have to be totally covered solely by an increase in the utility rates. The attached charts reflect this impact (Attachment 2).

FISCAL IMPACT

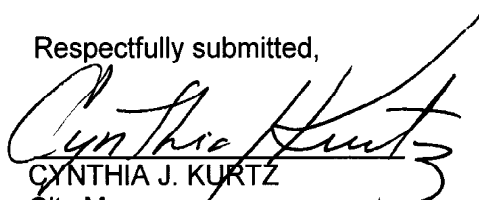
Under the City Hall Finance Committee's recommendation, the amount of the project to be financed from bond proceeds is approximately \$67 million. If the City Council authorizes the use of \$6.4 million in PBC funds, the amount to be financed with bond proceeds would be approximately \$61 million. Under either scenario, the debt will be repaid through a combination of existing general fund revenue sources and new revenues derived from either a 3% or 2.5% increase in the transfer from the Electrical Utility to the General Fund.

The difference between the estimated project cost: \$88,795,000 and the net bond proceeds will be covered by \$7.3 million in FEMA funds, funding already allocated for this project by the City Council in anticipation that the City would either have to retrofit the building or move out, funds appropriated for this project in the City's Capital Improvement Budget but not yet spent, and funds appropriated for debt service but not required during the construction period.

The recommendations contained in this report and the reports from the two Citizen Committees talk about a project totally \$88.795 million, this only represents the future project costs should the City Council approve the project. In addition, the City has already allocated \$4.1 million towards this project and has spent \$3.6 million of these funds. Under the "go-forward" funding recommendations, the difference between the \$4.1 million budget and \$3.6 million actual expenditures would be considered one of the funding sources for this project.

If the project proceeds, the costs of City Hall utilities will be reduced by way of improved mechanical, electrical and plumbing systems. The City will also receive an allowance from Water and Power for system upgrades.


Respectfully submitted,


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