



Office of the City Manager

May 13, 2020

To: Honorable Mayor and Members of the City Council

From: *Dee* Dee Williams-Ridley, City Manager

Subject: Measure T1 Project Funding Update

SUMMARY

This report provides City Council with an update on funding for Phase 1 of the Measure T1 bond program. In March 2019, Council authorized \$5.3 million from the General Fund to complete Phase 1 projects. Given the projected \$28 million General Fund budget shortfall in FY21, staff are pursuing alternative ways to fund the completion of Phase 1 projects. This report describes these alternative strategies and impacts.

PHASE 1 PROJECT UPDATE

All 46 Measure T1 projects are in progress. The Mental Health Services Center, North Berkeley Senior Center, Live Oak Community Center, Adeline Street, Hearst Avenue and George Florence Park are under construction. The Rose Garden (Pathways, Tennis Courts, Pergola, and repair of erosion), San Pablo Park (ages 2-5 and 5-12 play areas and tennis courts), Strawberry Creek Park, Monterey and Ward streets and green infrastructure, and the Corp Yard and Marina Corp Yard electrical projects will be in construction within the next month. The Aquatic Park Tide Tubes project will be bid and under construction this summer. The Marina streets project is in final design and permitting. Additionally, all of the “planning only” projects have started and are nearing completion, including the Old City Hall/Veterans Building/ Civic Center Park, the Citywide Restroom Assessment, the Frances Albrier Community Center, the restroom/community space at Tom Bates Sports Complex and the Willard Park Clubhouse. This [link](#) provides a list of the 46 [approved Phase 1 Projects](#) including project description, budget, project manager, and status update. This [link](#) provides a timeline by month for each T1 project through the remainder of Phase 1.

The projects are on track to meet the bond requirement that 85% of bond proceeds be spent within 3 years of bond sale. This deadline is November 2020, and the City projects to meet the requirement by September 2020.

PHASE 1 FUNDING UPDATE

The cost to complete all Phase 1 projects is approximately \$41.8 million. The City’s T1 cash on hand is \$36.685 million, which includes \$35 million in bonds sold and \$1.685

million of estimated earned interest.¹ This leaves an estimated funding gap of \$5.115 million, slightly less than the \$5.3M authorized by council in March of 2019.

Attachment 1 shows a list of projects currently underway with cost estimates by month. Based on these estimates, the City expects to expend all T1 funds (\$36.685 million) by the end of October 2020. This means that we will need additional funding to complete Phase 1 projects starting in November 2020.

Given the COVID emergency and demands for those General Fund dollars to meet immediate operational needs in the FY21 budget, staff have developed alternative strategies to fund Phase 1 projects without drawing on the additional General Fund allocation. These include delaying selected Phase 1 projects, borrowing funding from PRW and PW special funds to be reimbursed by the Phase 2 bond sale, and accelerating the Phase 2 public process and bond sale. If all these strategies are implemented as described below, we will be able to avoid using the \$5.3M General Fund allocation.

STRATEGIES TO FUND PHASE 1 PROJECTS

Delay selected Phase 1 projects

The last large T1 project to go to construction is the Marina streets project, which includes the reconstruction of University Avenue and Spinnaker Way, and repaving of Marina Blvd. The \$8.2 million project is funded by T1 (\$4.2 million), SB1 streets funding (\$1 million) and the Doubletree Hotel (\$3 million). It is currently planned to go to bid in the summer, with construction starting in the fall and concluding about a year later. Staff propose to delay construction to February/March 2021. This will delay the need for additional T1 funds, with Doubletree and SB1 funds being spent first. T1 funds would not be required until the very end of FY21 or early FY22, and could be funded by the next T1 bond issuance.

Additionally, bids for the Grove Park field renovation project came back significantly higher (\$350,000) than the engineer's estimate of \$650,000 in early May. Staff will be coming to Council in early June for authorization to reject all bids. Delaying this project one year provides time to re-scope and develop a project that can be effectively completed.

Use Special Funds to Fund Projects and Reimburse with Bonds Sold

On December 13, 2016, Council approved Resolution 67,681-N.S. authorizing the City to use bond proceeds to reimburse project expenditures that occurred prior to the bond sale. The Resolution does not limit this to the General Fund, but applies to any funding source for T1 project costs.

¹ In prior reports, interest earned was estimated to be \$1.5 million. This has increased to \$1.685 million based on actual receipts.

Excluding Grove Park and Marina Streets project costs in FY21, the T1 program would need an additional \$1.2 million in FY21 to complete Phase 1 projects. The City could borrow these funds from special funds for eligible projects. For example, Rose Garden and Live Oak Community Center projects are both Parks Tax-eligible. Streets projects like Monterey and Ward could be funded through a loan from Public Works special funds, such as State Transportation Tax, Measure B or Measure BB or other eligible funds. If the bond sale is accelerated (see below), these funds would be reimbursed within the same fiscal year so that there would be minimal impact on fund forecasts and budget projections. Given the \$1.2 million need, this would be structured as approximately \$600k borrowed from the Parks Tax and \$600k borrowed from Public Works special funds.²

Accelerate Phase 2 Public Process and Bond Sale

Both strategies above depend on accelerating the bond sale from November 2021 to late spring of 2021. While this would shorten the Phase 2 public process by several months, we will still be able to complete all the original proposed elements of the public process. The potential impacts to the Phase 2 public process schedule are shown in bold in the third column of the table below. Staff will work with the T1 Joint Subcommittee to determine how best to structure the remainder of the Phase 2 public process, given anticipated needs for ongoing social distancing.

² Reviewed by City Attorney's Office for legal compliance.

Table 1 - Potential Change to Phase 2 Public Process Timeline

Current Timeline	Item	Status / Potential Change
July – September 2019	The Measure T1 Joint Subcommittee and staff planned the public input process and structure.	<i>Complete</i>
October 2019	Met with the Lead Commissions (Public Works and Parks, Recreation and Waterfront) during their regularly scheduled meetings to discuss the public process for Phase 2.	<i>Complete</i>
November 2019 – January 2020	Annual update to 11 Participating Commissions ³	<i>Complete</i>
January 29, 2020	Lead Commissions Phase 2 Public Process Kick-Off	<i>Complete</i>
February – April 2020	Attend 20 neighborhood group meetings to present information on Phase 2 public process and obtain feedback on potential projects.	<i>Partially complete: 10 neighborhood meetings held before Shelter in Place order. Reschedule remaining 10 in August and September and possibly hold in a socially distanced way or virtually</i>
May – September 2020	Host 5 large geographic-based meetings to gather feedback on potential projects (5 meetings)	<i>Incomplete: Need to move meetings to September and October and possibly hold in socially distanced way or virtually</i>
October 2020	Online survey on Berkeley Considers	<i>Incomplete: no change needed</i>
November – December 2020	Annual update to Participating Commissions (11 Meetings)	<i>Incomplete: move up to Oct-Nov 2021</i>
November 2020 – February 2021	Staff and commissions' development of recommended Phase 2 project list (3 to 4 meetings)	<i>Incomplete: move up to Nov- Dec 2021</i>
March - May 2021	Council Work Session to discuss Phase 2 project list	<i>Incomplete: move up to early Jan 2021</i>
June 2021	Council approves Phase 2 projects	<i>Incomplete: move up to Jan/Feb 2021</i>

³ Children, Youth, and Recreation Commission; Civic Arts Commission; Community Environmental Advisory Commission; Commission on Aging; Commission on Disability; Disaster and Fire Safety Commission; Energy Commission; Housing Advisory Commission; Landmarks Preservation Commission; Transportation Commission; and Zero Waste Commission.

Staff will work with the T1 Joint Subcommittee to determine how best to structure the remainder of the Phase 2 public process, given anticipated needs for ongoing social distancing.

The combination of these three strategies allows the City staff to avoid using the \$5.3M allocated by City Council in March 2019 and still start and finish all T1 phase 1 projects in a timely way.

OTHER ALTERNATIVES CONSIDERED

Four alternatives were considered:

1. Delay additional projects, so that we spend only existing T1 funds. This would defer construction on multiple additional projects for a year, and result in higher costs as projects would need to be rebid with higher escalation.
2. Issue a mini-bond as soon as possible to cover the \$5.115 million gap. This will not be cost effective due to the issuance cost for such a relatively small amount of the bond offering. There is also the likelihood of a higher rate because of the market segment this limited offering will fall under. Request a portion of the General Fund allocation (\$2-3 million) to continue key projects. This would still require an accelerated bond sale, so that there would be funding in place in FY22; and it would not help the City address the \$28 million FY21 budget shortfall.
3. Request a portion of the General Fund allocation (\$2-3 million) to continue key projects. This would still require an accelerated bond sale, so that there would be funding in place in FY22; and it would not help the City address the \$28 million FY21 budget shortfall.
4. No change: request the full General Fund allocation (\$5.3 million) to prevent any disruption in Phase 1 project implementation or Phase 2 planning. As above, these funds are needed to address the FY21 budget shortfall given the COVID emergency.

Attachment 1: Measure T1 Budget Summary

cc: Paul Buddenhagen, Deputy City Manager
David White, Deputy City Manager
Scott Ferris, Director, Parks, Recreation & Waterfront
Phil Harrington, Director, Public Works
Mark Numainville, City Clerk
Matthai Chakko, Assistant to the City Manager / Public Information Officer
Jenny Wong, City Auditor

Measure T1 Budget Summary

4/16/20

T1 Cash Available (Bond + ITD Interest)¹ \$ 36,685,110

	Actuals and Projected to October 2020	Projected								TOTAL
		Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	
Totals	34,081,053	2,754,073	706,820	495,446	393,805	511,984	511,984	611,984	711,984	40,779,132
Cumulative Spend to date	34,081,053	36,835,126	37,541,946	38,037,392	38,431,198	38,943,181	39,455,165	40,067,149	40,779,132	
T1 Cash Available	2,604,057	(150,016)	(856,836)	(1,352,282)	(1,746,088)	(2,258,071)	(2,770,055)	(3,382,039)	(4,094,022)	
Art	263,172	38,825	38,825	7,835	-	-	-	-	-	348,657
Staffing	3,439,656	105,419	105,419	105,419	105,419	105,419	105,419	105,419	105,419	4,283,004
FESS	336,997	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	389,518
University Ave, Marina Blvd, Spinnaker	1,025,841	100,000	100,000	250,000	250,000	400,000	400,000	500,000	600,000	3,625,841
Aquatic Park Tide Tubes	235,339	50,000	50,000	35,000	31,822	-	-	-	-	402,161
Municipal Pier	219,544	10,000	10,000	3,625	-	-	-	-	-	243,169
Rose Garden Tennis, Pathways	1,036,588	100,000	100,000	87,003	-	-	-	-	-	1,323,590
San Pablo Play and Tennis	984,999	150,000	32,107	-	-	-	-	-	-	1,167,106
Grove Park Fields	715,780	250,000	140,954	-	-	-	-	-	-	1,106,734
Live Oak Community Center	5,613,371	350,000	113,478	-	-	-	-	-	-	6,076,848
Strawberry Creek Park Restroom	326,107	50,000	9,472	-	-	-	-	-	-	385,579
Old City Hall/Vet's Building	373,160	12,470	-	-	-	-	-	-	-	385,630
Frances Albrier Community Center	218,044	498,281	-	-	-	-	-	-	-	716,325
Tom Bates Fieldhouse/Restroom	14,293	232,025	-	-	-	-	-	-	-	246,318
Willard Clubhouse	199,079	20,489	-	-	-	-	-	-	-	219,568
North Berkeley Senior Center	8,378,666	30,000	-	-	-	-	-	-	-	8,408,666
Monterey and Ward	1,728,703	750,000	-	-	-	-	-	-	-	2,478,703
Rose Garden Drainage ²	621,693	-	-	-	-	-	-	-	-	621,693
Citywide Restroom Assessment	84,191	-	-	-	-	-	-	-	-	84,191
Berkeley Mental Health Building	1,457,320	-	-	-	-	-	-	-	-	1,457,320
Corporation Yard (Electrical)	737,250	-	-	-	-	-	-	-	-	737,250
Marina Corporation Yard (Electrical)	364,740	-	-	-	-	-	-	-	-	364,740
Berkeley Health Clinic (Electrical)	7,000	-	-	-	-	-	-	-	-	7,000
Public Safety Building (HVAC)	4,620	-	-	-	-	-	-	-	-	4,620
Citywide Irrigation System	516,513	-	-	-	-	-	-	-	-	516,513
George Florence Play	626,749	-	-	-	-	-	-	-	-	626,749
Tom Bates Field Turf Replacement	311,220	-	-	-	-	-	-	-	-	311,220
Green Infrastructure	682,487	-	-	-	-	-	-	-	-	682,487
Adeline and Hearst	2,957,932	-	-	-	-	-	-	-	-	2,957,932
Ward GI	500,000	-	-	-	-	-	-	-	-	500,000
2nd	100,000	-	-	-	-	-	-	-	-	100,000
Hopkins ³	-	-	-	-	-	-	-	-	-	-
Bancroft ³	-	-	-	-	-	-	-	-	-	-

- Notes**
- Bond - \$35,000,000; Interest- \$1,685,110 (as of April 2020)
 - Includes Kains \$100,000 bid but not yet awarded
 - Delayed to Phase 2, funds reallocated to other streets projects.