

T1 Bond Measure Update

Council Budget & Finance Policy Committee

November 12, 2020

Summary

Staff are in the final stages of completing both 45 phase 1 (July 2017 – June 2021) projects and a year-long public process and recommendation for phase 2 projects. Twenty (20) T1 funded projects are currently under construction. The 5 full-time equivalents (FTEs) budgeted to T1 are divided between an Associate Management Analyst and 12 Project Managers in the Public Works (PW) and Parks, Recreation and Waterfront (PRW) Departments. This staff, T1 projects, and bond measure finance and logistics issues are closely managed by a team of PW and PRW management staff and reviewed by both the Parks and Waterfront and Public Works Commissions. During phase 1, a T1 Policies and Procedures Operations Manual, a financial expenditure audit of the first two years, 20 reports to City Council and quarterly updates and over 90 community and focus groups meetings were completed. On Friday October 17, staff surpassed the 85% expenditure mark of the \$35M phase 1 bonds sold in November of 2017. Meeting this deadline ensures that the interest (\$1.7M) obtained from phase 1 bond sales is kept by the City without Federal or State taxes.

Impacts from COVID

The direct impacts of COVID-19 restrictions on construction projects have mostly affected the three large building projects: Mental Health Services Center (MHSC), North Berkeley Senior Center and Live Oak Community Center. Contractors, inspectors and project managers have had to make adjustments to comply with new restrictions and, in some cases, have resulted in time delays. Staff have worked closely with the City Attorney's office on change orders related to these delays in order to ensure costs are controlled.

The financial impacts have been much more significant. In March of 2019, City Council approved an additional \$5.3M in General Fund for phase 1 projects because of the addition of the MHSC, energy upgrades on the three large facilities and construction cost increases. Given the COVID-19 emergency and demands for those General Fund dollars to meet immediate operational needs in the FY21 budget, staff developed and are implementing alternative strategies to fund phase 1 projects without the \$5.3M of additional General Fund allocation. These strategies include the following:

- 1. Delaying 2 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 (\$4.1 million), SB1 streets funding (\$1 million) and the Doubletree Hotel (\$3 million). Bidding was delayed from last summer to this December.

Additionally, the Grove Park Ballfield improvements were also delayed. 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 rebidding this project at the end of FY21. Delaying this

project one year provides time to re-scope and develop a project that can be effectively completed.

2. Accelerating Phase 2 Public Process and Bond Sale.

Pushing the anticipated phase 2 bond sale from November 2021 to April 2021 allows for both the delayed phase 1 projects to start construction in next year's construction period. This strategy required shortening the phase 2 public process from 15 to 12 months and did not affect the number of public process meetings as staff and primary commissions were able to hold 38 public meetings on potential phase 2 projects.

3. Borrowing \$1.2M funding from PRW and PW Special Funds.

Despite delaying the two identified construction projects to be reimbursed by the Phase 2 bond sale and accelerating the Phase 2 public process and bond sale, without the \$5.3M in General Fund, T1 funds will be exhausted in February of 2021. Therefore, T1 needs to borrow \$1.2M from PRW and PW special funds in order to sustain an appropriate cash flow until Phase 2 bonds are sold in April of 2021.

4. Using \$6.0M from T1 Phase 2 Bond Funding to Support Phase 1 Projects

When T1 phase 2 bond funds are sold in April 2021, \$6.0M will be needed to complete phase 1 projects. This \$6.0M includes \$5.3M of previously identified funding and another \$700,000 to support additional costs associated with the Adult Mental Health Services Center, North Berkeley Senior Center and the Marina Streets projects. These costs are due to unforeseen construction costs, COVID 19 issues and delayed construction costs.