



WORKSESSION
November 7, 2017

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Scott Ferris, Director, Parks, Recreation & Waterfront
Phil Harrington, Director, Public Works

Subject: Bi-Annual Report on Measure T1 City Infrastructure Bond Program

SUMMARY

This is the first bi-annual report on implementation of the \$100 million Measure T1 bond program to renovate existing City facilities and infrastructure. On June 27, 2017, following a community process led by the Parks & Waterfront and Public Works Commissions, Council approved the first phase of projects to be completed over the next four years. This report provides an update on work done to launch Phase 1 of the T1 bond program, including project planning, program management, staffing, communication, expenditures to date, and financing.

CURRENT SITUATION & ITS EFFECTS

On June 27, 2017, following a six-month public process, [Council approved Phase 1](#)¹ of the T1 bond program, authorizing 33 projects to improve existing City buildings, streets and parks. In the three months since Council approval, City staff has done the following:

- Set up the process to sell \$35 million in General Obligation bonds for Phase 1, approved by Council on October 17, 2017 to commence in November 2017.
- Assembled a T1 Management Team that includes Parks, Recreation & Waterfront (PRW) and Public Works (PW) Directors and Deputy Directors, Manager of Engineering, and Fiscal Managers. This team has met weekly for the past several months, and will continue to meet regularly. Costs associated with these staff are not billed to T1.
- Identified and assigned Project Managers to all T1 projects using existing and new staff.
- Determined the resource needs, timelines and the sequencing of Phase 1 projects.

¹ See <https://www.cityofberkeley.info/recordsonline/export/17103921.pdf>

- Currently in the process of developing and refining a T1 Policies & Procedures Manual that includes overall program goals and performance metrics, program management structure and processes, project management guidelines, bond requirements and restrictions, and expenditure control policies and procedures.
- Currently in the process of procuring professional consulting services in the fields of architecture, landscape architecture, geotechnical engineering, construction management, environmental compliance, marina & waterfront design, and other professional services that are needed for T1 projects.
- Submitted an application for a Federal Emergency Management Agency (FEMA) seismic retrofit grant for the Live Oak Community Center, (a T1 project) on November 1, 2017.
- Hired all five (5) full-time employees (FTEs) associated with T1 Project Management.
- Identified location of Project Management Hub on the 5th floor of 1947 Center Street and arranged for furniture, equipment and supplies for these spaces. Both the PRW Capital Projects Team and Public Works Facilities Project Management Team are located here.
- Set up the process to coordinate with the Civic Arts Commission on the 1% allocation of bond proceeds to be used on functional art integrated into T1-funded improvements.
- Provided this first bi-annual T1 Update to the Public Works Commission and the Parks & Waterfront Commission on October 5 and October 11 respectively.

DISCUSSION

Phase 1 Projects

Attachment 1 provides a list of the 33 Phase 1 projects, including project description, budget, timeline, project manager, and status update.

Phase 1 projects have been sequenced to ensure that 85% of bonds issued will be spent within 3 years – a requirement under federal tax law.

The first project to be completed using T1 funds will be the Tom Bates Fields synthetic turf replacement. This project will commence after December 1, 2017 and is to be completed by March 5, 2018. Other T1 projects that have started the planning process include the North Berkeley Senior Center, Live Oak Community Center, Citywide Irrigation System replacement, and King Park Green Infrastructure Project.

Phase 1 projects include a mix of types of projects:

- *Planning* projects will focus on public processes, feasibility studies and analyses that culminate in a preferred project plan and cost estimate. These projects will be ready for the design and construction phase when funding is identified.

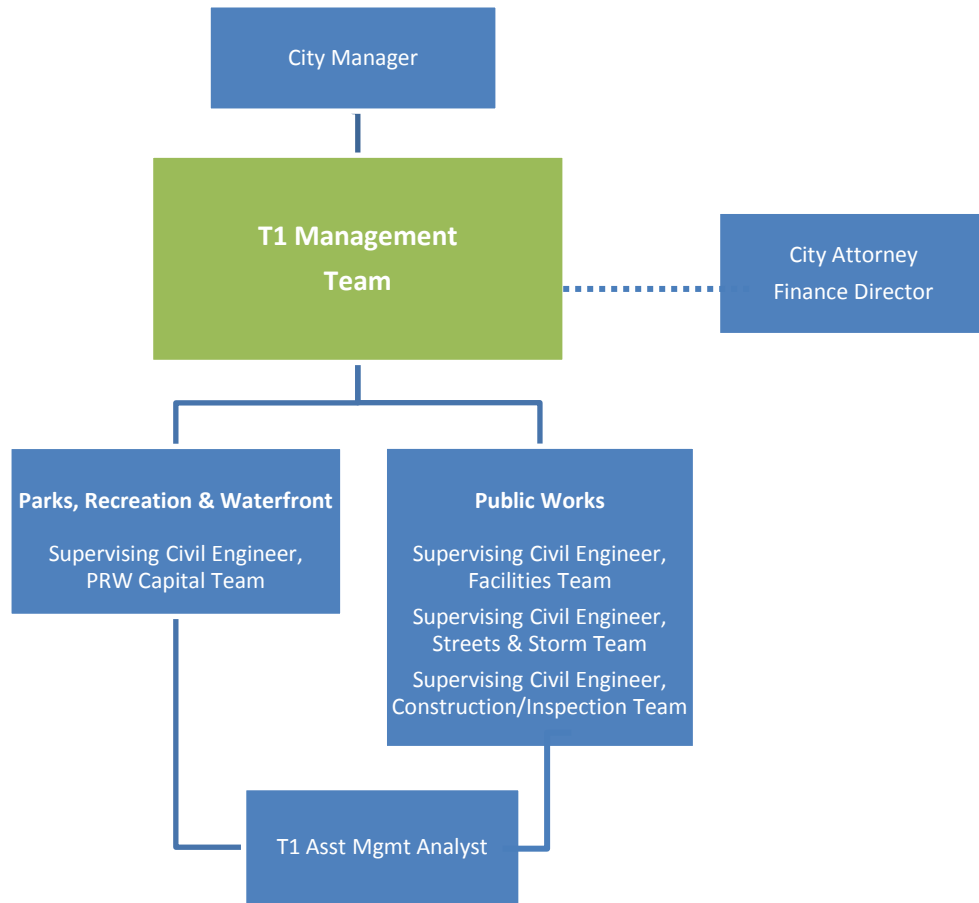
- *Planning & Design* projects will include public process, design, permits and bid package, and are intended to produce shovel-ready projects for a later phase of T1 funding, grant funding, or other funding.
- *Planning, Design & Construction* projects will be entirely designed and built during Phase 1.

In many cases, T1 funds supplement existing project funds. For example, the North Berkeley Senior Center renovation is partially funded by a \$1.875 million FEMA grant to cover the seismic retrofit portion of the project. T1 funding for the Tom Bates Fields turf replacement project supplements \$1.2 million in existing sports field reserve funds and enables the City to fund better materials that absorb shock and reduce concussions. The T1-funded replacement of the Strawberry Creek restroom will occur alongside the Parks Tax-funded renovation of the Strawberry Creek basketball court and picnic area, reducing project management costs and delivering a more comprehensive park renovation project.

Bond Program Management

Parks, Recreation & Waterfront and Public Works staff have been working as a team, meeting weekly to establish the T1 bond program, setting up resources, staffing, and systems, developing policies and procedures and project planning. The T1 Management Team consists of the PRW and PW Directors and Deputy Directors, the Manager of Engineering, Fiscal Managers, and Supervising Civil Engineers, supported by the T1 Assistant Management Analyst. This team will continue to meet regularly to review T1 budget and expenditures and project progress, and to prepare detailed reports for Council, Commissions and the community about how T1 funds are being expended.

Figure 1 - T1 Bond Management Structure



Staffing Approach

In June, staff estimated that the equivalent of five full-time employees (FTEs) would be required to manage T1 projects. The actual distribution of T1 project management responsibilities will be shared amongst multiple City staff. The division of FTEs associated with T1 project management for FY18 is illustrated in Table 1. This method takes advantage of City staff’s distinct skills and experience. As with all T1-related costs, staff charges to T1 will be based on actual time worked on T1 projects. Labor costs for all other administration, such as other managers, departmental payroll, purchasing and budget staff, and other City-wide support services like IT, Human Resources, and Finance, are not billed to T1.

Table 1 – Project Management Staff FTE Distribution on T1 Projects for FY18²

Title	New or Existing Position	Dept	Est. % of time on T1	FTE Equiv.	T1 Duties ³
Supervising Civil Engineer	Existing	PW	50%	0.5	Supervise Project Managers / Project Management
Supervising Civil Engineer	New	PRW	40%	0.4	Supervise Project Managers / Project Management
Associate Civil Engineer	Existing	PW	40%	0.4	Project Management
Associate Civil Engineer	New	PW	30%	0.3	Project Management
Associate Civil Engineer	Existing	PRW	50%	0.5	Project Management
Associate Civil Engineer	Existing	PRW	20%	0.2	Project Management
Assistant Civil Engineer	New	PW	50%	0.5	Project Management
Assistant Civil Engineer	New	PRW	80%	0.8	Project Management
Capital Impv. Program Mgr	Existing	PRW	5%	0.05	Project Management
Inspector	Existing	PW	10%	0.1	Project Inspection
Asst Mgmt Analyst	New	PW/ PRW	100%	1.0	Administrative Support
			Total FTEs:	4.75	

Budget & Bond Sale

On October 17, 2017, the City requested Council authorization to issue \$35 million in General Obligation bonds for the T1 program. Upon approval, the bonds are to be competitively bid on or around November 1st. Bond proceeds will be available to the City on approximately November 15th.

Difference between Phase 1 budget and bond issue

While the Council-authorized budget for Phase 1 is \$37.365 million⁴, the City is limited to selling \$35 million in bonds at this time. This limit is set by the terms of the bond program,

² These estimates will be re-evaluated each year.

³ See Attachment 1 for T1 projects assigned to each project manager.

⁴ See Resolution 68,076-N.S., <https://www.cityofberkeley.info/recordsonline/export/17352108.pdf>. The \$37.365 million cost for Phase 1 included estimates of \$31.965 million for projects, \$4.6 million for project management, and \$800,000 for bond transaction costs.

which requires that the upper limit of bond sales cannot exceed the total debt covered by the current 10-year average tax rate for a Berkeley resident.

Even with this decrease in funding, staff estimates that projects will be completed through pursuing grants and other sources of funding. Staff will continue to monitor this gap and keep Council and Commissions updated every six months.

Bond requirements

Under federal tax law, the City must have a reasonable expectation of spending at least 85% of bond proceeds within 3 years of the sale. If 85% is not spent, there are two consequences:

- The unspent project funds must be yield-restricted, i.e. invested at a rate that generates less than the bond yield; and
- If the City's bonds were ever audited, and the IRS determines that the City did not have a reasonable expectation at closing that it could spend 85% within three years, then the IRS could conclude that interest on the bonds is taxable, which could require a payment by the City to the IRS.

The City's proposed project schedule (see Attachment 1) shows that the City expects to spend 85% of the bond issue within three years. It is important for the Phase 1 bond to be sized in an amount that allows the City to meet the 85% reasonable expectation requirement and underscores the importance of concerted collaboration by staff, Council and our community to ensure that we adhere to this schedule.

Communication

Staff will provide bi-annual updates to the Parks & Waterfront and Public Works Commissions and to City Council; the next report will be in April 2018. Staff continues to use the City's [T1 website](#)⁵ to update the community on the bond program. This includes an updated [story map](#)⁶, providing photos, mapping and summaries of each approved T1 project. Staff will provide quarterly news releases on City's homepage and social media; the first update was posted in early October. For questions or information about T1, community members are encouraged to email T1@cityofberkeley.info.

Planning for Phase 2

Phase 1 is expected to run from July 2017 through June 2021. The Phase 1 projects that are planning and planning and design in nature will then be eligible for a variety of state and federal grants, or T1 phase 2 and 3 funding. The planning and public process for Phase 2 is anticipated to start in June 2019, approximately two years before Council approves Phase 2 projects. As part of this process, staff will explore grants and other sources of funding to continue projects planned and designed in Phase 1, or supplement potential Phase 2 projects.

⁵ See <https://www.cityofberkeley.info/MeasureT1/>

⁶ See <https://berkeley.maps.arcgis.com/apps/MapTour/index.html?appid=6a32f8ecb2924aebbb952bd59cb8b7fc>

Staff will work in collaboration with the Parks & Waterfront and Public Works Commissions, which were [designated by Council in January 2017](#)⁷ as lead commissions for gathering public input on T1 criteria and projects.

FISCAL IMPACTS

Expenditures to Date

Expenditures to date have been limited to staff time for project planning and project initiation. Future reports will provide project-level expenditures, including staff time as well as contracted services. As shown in Table 2, \$76,342.68 of T1 funds have been expended to date.

Table 2 - Phase 1 Expenditures, Q1 FY17

Category	Sub-Category/Project	Spent	Allocated⁸	Remaining
Staff/Project Management	Supervision & Admin	\$52,097	\$4,200,000	\$4,130,399
	Project Management	\$17,504		
Facilities, Equipment, Supplies, Services			\$400,000	
Projects	Facilities/Building		\$14,400,000	\$14,400,000
	City Wide Safety Improvements		\$900,000	\$900,000
	Parks Improvement		\$6,965,000	\$6,965,000
	Green Infrastructure		\$1,200,000	\$1,200,000
	Complete Streets		\$8,500,000	\$8,500,000
Total		\$69,601	\$36,565,000⁹	\$36,495,399

Staff/Project Management costs include City staff to plan, manage and supervise T1 projects; and a full-time analyst to provide direct administrative support for T1 projects. This does not include costs for other supervision and administration, such as other managers, departmental administrative staff, and other support functions like IT, Human Resources, and Finance.

Facilities, Equipment, Supplies, and Services includes the cost to lease T1's share of office space on the 5th Floor of 1947 Center St., T1-related office furniture, computers, printers, office supplies, copier lease, staff trainings, communication materials, and audits..

Project costs will include all direct project expenses.

⁷ See https://www.cityofberkeley.info/Clerk/City_Council/2017/01_Jan/Documents/2017-01-31_Item_04_Public_Process_for_Implementation_-_Rev.aspx

⁸ These costs cover four years of Phase 1, FY18 through FY21.

⁹ This amount includes \$31.965 million for projects and \$4.6 million for project management.

Functional Art

In [Resolution 67,795-N.S.](#),¹⁰ Council resolved that 1% of bond proceeds shall be available for functional art integrated into T1-funded improvements, as and to the extent determined by City Council. Project costs shown in Attachment 1 are inclusive of the 1 percent. No T1 funds have been spent to date on functional art.

BACKGROUND

In November 2016, Berkeley voters approved [Measure T1](#)¹¹ – a \$100 million dollar general obligation bond to repair, renovate, replace, or reconstruct the City’s aging, existing infrastructure, including facilities, streets, sidewalks, storm drains, and parks. Measure T1 passed with 86.5% of the vote.

City Council [authorized the issuance of the infrastructure bond](#)¹² in order to help address significant and growing unfunded infrastructure needs, which total over \$500 million. Bond-funded capital projects will be implemented in addition to projects that are currently funded and proposed for funding in the City’s fiscal years 2018 – 2019 capital budget.

After the passage of Measure T1, the City Manager proposed a [three phase plan](#)¹³ for the implementation of the Measure T1 program, as well as a list of proposed projects for phase 1 to be considered by the Council, the City’s commissions, and the general public, as well as the delineation of a robust public process to gather input on the proposed projects.

From December 2016 through June 2017, the Parks & Waterfront and Public Works Commission invited input on the proposed projects from the public and ten existing City Commissions. They submitted a [joint report to Council](#)¹⁴ in June 2017 detailing their recommendations.¹⁵ The City Manager incorporated this input and submitted a [final recommended list of projects](#)¹⁶. Council [adopted this list and proposed plan](#)¹⁷ for implementing Phase 1 of the T1 bond program on June 27, 2017.

ENVIRONMENTAL SUSTAINABILITY

Measure T1 provides an opportunity to advance the City’s environmental sustainability goals. Facility upgrade projects will be designed and constructed to not only improve safety and address deferred improvements, but also to increase resource efficiency and access to clean energy. Measure T1 also provides an opportunity to accelerate investment into green stormwater infrastructure and street improvements that advance the goals of the City Bike and Pedestrian plans.

¹⁰ See <https://www.cityofberkeley.info/recordsonline/export/17103921.pdf>

¹¹ See <https://www.cityofberkeley.info/MeasureT1/>

¹² See http://www.ci.berkeley.ca.us/uploadedFiles/Parks_Rec_Waterfront/Level_3_-_General/Resolution%20No%2067,795.pdf

¹³ See http://www.ci.berkeley.ca.us/uploadedFiles/Parks_Rec_Waterfront/Level_3_-_General/Measure%20T1%20GO%20Bonds%20Recommendations.pdf

¹⁴ See https://www.cityofberkeley.info/uploadedFiles/Parks_Rec_Waterfront/Level_3_-_General/Measure%20T1%20-%20Joint%20Commission%20Report%20-%20June%202017%20w%20attachments.pdf

¹⁵ See p.15 for Joint Commission report.

¹⁶ See https://www.cityofberkeley.info/Clerk/City_Council/2017/06_June/Documents/2017-06-27_Item_49_Implementing_Phase_1.aspx

¹⁷ See Resolution No. 68,076-N.S. at <https://www.cityofberkeley.info/recordsonline/export/17352108.pdf>

CONTACT PERSONS

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Attachments:

- 1: T1 Project Schedule, Funding, and Project Management