

City of Sacramento

Legislation Details (With Text)

File #:	2019-01151	Version:	1	Name:	
Type:	Consent Item	Status:		Agenda Ready	
File created:	7/26/2019	In control:		City Council - 2PM	
On agenda:	8/13/2019	Final action:		12/31/2023	
Title:	Plans and Specifications, Contract Supplement, Funding Agreement, and Budgetary Adjustments for the North Natomas Community Center and Aquatic Complex Project (L19140400) [Published for 10-Day Review 08/01/2019]				
Sponsors:					
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result
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Title:
Plans and Specifications, Contract Supplement, Funding Agreement, and Budgetary Adjustments for the North Natomas Community Center and Aquatic Complex Project (L19140400) [Published for 10-Day Review 08/01/2019]

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Location: North Natomas Regional Park between Town Center Drive and Via Ingoglia, District 1

Recommendation:

Adopt a Resolution: 1) approving the North Natomas Community Center and Aquatic Complex (NNCCAC) Project Plans and Specifications; 2) authorizing the City Manager or the City Manager's designee to execute a Funding Agreement and associated documents with the Natomas Unified School District (NUSD) for funding of the NNCCAC Project (L19140400) by NUSD in an amount not to exceed \$10.6 million; 3) approving the transfer of a portion of APN 225-0040-089 to NUSD according to the terms of the Funding Agreement with NUSD and finding that the land will be used for a valid public purpose and that such conveyance is in the best interest of the City; 4) approving an interfund loan of \$14.376 million and authorizing associated budgetary adjustments from available fund balance in the Water Fund (Fund 6005) to the General Fund (Fund 1001) based on the terms outlined in Exhibit B; 5) approving an interfund loan of \$2.6 million and authorizing associated budgetary adjustments from available fund balance in the North Natomas Transit Fee Fund (Fund 3207) to the Greenbriar Impact Fee Fund (Fund 3216) based on the terms outlined in Exhibit C; 6) authorizing the City Manager or the City Manager's designee to: (a) increase the revenue and expenditure budgets in L19140400 by \$10.6 million in the CIP Reimbursable Fund (Fund 3702) to reflect the terms of the Funding Agreement with NUSD; (b) transfer \$11,977,700 from available fund

balance in the North Natomas Public Facilities Fee (Fund 3206) to L19140400; (c) transfer \$524,000 from available fund balance in the Community Facilities District 3 (CFD3) Fund (Fund 2230) to L19140400; (d) transfer \$2.6 million from available fund balance in the Greenbriar Impact Fee Fund (Fund 3216) to L19140400; and (e) transfer \$14,376,000 from the Water Fund loan to L19140400; 7) authorizing the City Manager or the City Manager's designee to execute Contract Supplement No. 1 to City Agreement No. 2019-0184 with John F. Otto, Inc. dba Otto Construction increasing the existing not to exceed amount by \$35.4 million for a new total not to exceed amount of \$35,469,200; and 8) increasing the City Manager's change order authority to six percent (\$2.1 million) of the new not-to-exceed amount of \$35,469,200 for the construction phase of the NNCCAC, pursuant to City Code section 3.60.240.

Contact: James Christensen, Facilities Manager, (916) 808-5863, Department of Public Works; Raymond Constantino, Parks Development Manager, (916) 808-1941, Department of Youth, Parks and Community Enrichment; Fran Halbakken, Project Executive, (916) 808-7194, Office of the City Manager

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Resolution
- 4-Exhibit A -- Contract Supplement No. 1 to City Agreement 2019-0184 with Otto Construction
- 5-Exhibit B - Interfund Loan from the Water Fund (Fund 6005)
- 6-Exhibit C - Interfund Loan from the North Natomas Transit Fee Fund (Fund 3207)
- 7-Exhibit D - Funding Agreement with Natomas Unified School District (NUSD)

Description/Analysis

Issue Detail: The proposed North Natomas Community Center and Aquatic Complex (NNCCAC) would create civic amenities such as a 50-meter pool, three recreation pools, three support buildings, and a community center building for recreation programs, meetings, and events. On July 23, 2019, City staff presented its funding structure to City Council (Council) for financing of the approximately \$45 million needed to complete the project. The following funding options were presented to Council for consideration regarding funding of the remaining \$14.4 million gap:

1. Available Fund Balance in the General Fund

The available fund balance in the General Fund is approximately \$27.3 million. These funds are available for investment in one-time capital projects, future labor agreements and to address the fiscal challenges identified in the out-years of the General Fund forecast.

2. Interfund Loan from the Water Fund

The Water Fund (Fund 6005) has available fund balance that could be used for a short-term loan. Provided the Council issues bonds for the larger capital investment program within the next 18 months and the Water Fund is repaid with interest, there will not be an impact on the Water fund. The estimated cost for an interfund loan to cover the loss of anticipated interest earnings is approximately \$457,000. Available year-end General Fund resources, beginning with FY2018/19, will be used to reduce interest costs.

The Capital Investment Program is a proposal whereby capital improvement revenue bonds (secured against City assets) will be issued for high-priority public projects to be paid back with future Measure U revenues. If the Capital Investment Program does not occur, the Water Fund would be repaid within 18 months from available fund balance in the General Fund.

3. External Short-Term Direct Placement Loan

The City Treasurer's Office has evaluated options for a short-term "direct placement loan" - similar to what the City obtained recently for the remarketing of the 1997 Lease Revenue Bonds (ARCO Arena Acquisition) and the Golden 1 Center financing. This financing tool would be obtained from a financial institution such as a bond underwriter, bank, or other financial institution that may provide more flexibility with respect to certain terms and conditions to better match the structure of an issuer's capital financing needs. The estimated cost for this borrowing would be approximately \$589,000 to \$734,000. An appraisal of existing City assets would be required for these loans though, so this financing would take approximately seven to eight weeks to complete. It is anticipated that this financing would not be in place in time to award the GMP within the desired timeline.

The Council provided direction to the City Manager and City Treasurer to return to Council in August with the recommended transfer of funds with support for Options 1 and 2, execution of a Funding Agreement with the Natomas Unified School District (NUSD), and award of the construction contract supplement needed before construction could begin. The Council further suggested staff consider a way to lower the anticipated interest cost of an interfund loan.

In reviewing the available funding options, staff has determined that Option 2, Interfund Loan from the Water Fund, provides the greatest short-term flexibility now. This option will provide the needed up-front resources to proceed with the project as scheduled and allows for loan repayment if year-end resources are available, which will keep interest costs at a minimum. The FY2018/19 year-end General Fund balance is expected to become available in December 2019. All or a portion of the loan could be repaid from the year-end General Fund results and the remainder would be repaid with interest within 18 months of Council approval from the City's future Capital Investment Program - Capital Improvement Revenue Bonds (CIP-CIRB). If the CIP-CIRB does not occur within 18 months, the remaining balance would be repaid from available FY2019/20 year-end General Fund results.

Council asked that staff ensure there is equity for all Sacramento residents to use the pool on a citywide basis. Staff will be evaluating swim programs for low income residents in use at other City pools, programs at other aquatic centers in the greater Sacramento area, and other programming needs of Sacramento residents. An equity program will be developed and also addressed in the joint use agreement developed with the City's partners later this year.

Staff is recommending that Council also authorize execution of a Funding Agreement with NUSD, whereby NUSD will provide \$10.6 million towards the NNCCAC project. In exchange, the City will transfer title to NUSD of an approximately 5.788 acre property located across from Inderkum High School (appraised at \$1,634,670 in 2016) and the parties will execute a Joint Use Agreement in the near future outlining use of the NNCCAC by both the City and NUSD. Pursuant to City Code section 3.88.100, the City may convey real property to another public agency at no cost when Council determines the land will be used for a public purpose and such conveyance is in the best interest of the City. Here, the transferred property will be used for a valid public purpose because NUSD intends to use such property for expansion of its Inderkum High School campus given the New Market Drive extension now provides access to the parcel. Such conveyance is further in the best interest of the City because it will help improve educational offerings at Inderkum High School and the property is no longer needed for the North Natomas Town Center Project given the community center will now be located adjacent to the Aquatic Center.

Staff is further recommending that Council authorize execution of Contract Supplement No. 1 with Otto Construction for construction of the NNCCAC with a GMP of \$35.4 million. The City executed a design-assist contract with Otto Construction in February 2019 in the amount of \$69,200 for pre-construction services. Staff is now seeking Council approval to have Otto Construction complete the construction work for the GMP amount. Up to \$35.4 million is thus budgeted for construction. The remaining project budget amount of approximately \$9.4 million is for items such as design work, drawings, construction management, inspections, and permits.

Policy Considerations: The requested actions are in accordance with Sacramento City Code (SCC) Chapter 3.60 and the recommendations in the report are in accordance with SCC Chapter 4.04 and Council Rules of Procedure, Chapter 7, Section E.2,d, which require additional posting time for agreements greater than \$1 million. This item was published for 10-day review on August 1, 2019. Finally, transfer of a portion of APN 225-0040-089 to NUSD is in accordance with SCC section 3.88.100 regarding transfer of property at no cost to other public agencies.

Economic Impacts: The new NNCCAC facility is expected to create 142 total jobs, 82 direct jobs and 60 jobs through indirect and induced activities and is estimated to generate approximately \$21.9 million total economic output (\$13.8 million of direct output and another \$8.1 million through indirect and induced activities).

The indicated economic impacts are estimates calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). CSER utilized the IMPLAN input-output model

(2009 coefficients) to qualify the economic impacts of a hypothetical \$1 million of spending in various construction categories within the City of Sacramento in an average one-year period. Actual impacts could differ significantly from the estimates and neither the city of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations:

California Environmental Quality Act (CEQA): On June 7, 2018, Council adopted the Mitigated Negative Declaration and the Mitigation Monitoring Program for the North Natomas Regional and Community Park Master Plan Amendment and Community Center and Aquatics Complex Project (Resolution No. 2018-0215).

Sustainability: The NNCCAC design has been reviewed for consistency with the goals, policies, and targets of the City's Sustainability Master Plan, the Parks and Recreation Sustainability Plan, and the City's 2035 General Plan. The NNCCAC Project will advance the goals, policies, and targets of these plans by improving the health of residents through access to a diverse mix of wellness and recreation activities.

Commission/Committee Action: On December 6, 2018, a Design Review Director's hearing was held to review the design of the NNCCAC. The NNCCAC design received support from the City's Urban Design Director.

Rationale for Recommendation: The Guaranteed Maximum Price (GMP) proposed by Otto Construction is valid until September 20, 2019 and if the GMP is not approved by then, the proposed construction amount will potentially increase. Additionally, if funding is not approved, the City could potentially lose a \$10.6 million contribution (23% of the project budget) toward construction from NUSD based on the terms approved by the NUSD board. Also, the NNCCAC project will provide a needed amenity to all residents of the City that can be used for generations to come.

Financial Considerations: The estimated cost for the NNCCAC project is approximately \$45 million. The existing budget for the NNCCAC Project (L19140400) is \$4.9 million. The identified funding plan for the project is summarized below and requires the transfer of \$40.1 million from a variety of sources and the approval of two interfund loans (in accordance with the City's Interfund Loan Policy approved by Council on June 9, 2015) to fund the project. The interfund loans will be repaid with interest in accordance with the loan agreements attached to the Resolution (Exhibits B and C). The following chart summarizes the project budget and recommended fund transfers:

Fund Name	Fund No. Budget	
Existing Project Budget		
North Natomas Public Facilities Fee <i>(Resolutions 2017-0404, 2018-0215, 2019-0039, and 2018-0235)</i>	3206	4,922,300
Proposed Funding Transfers to L19140400		
Community Facilities District 3 (CFD) - Landscaping only	2230	524,000

General Fund ¹	1001	14,376,000
Greenbriar Impact Fee ²	3216	2,600,000
Natomas Unified School District (bonds)	3702	10,600,000
North Natomas Public Facilities Fee	3206	11,977,700
Total (Estimated Project Cost):		\$ 45,000,000

¹Resources are from an internal loan from the Water Fund (Fund 6005).

²Resources are from an internal loan from the Natomas Transit Fee Fund (3207).

Upon execution of the Funding Agreement with NUSD for a total amount of \$10.6 million in the CIP Reimbursable Fund (Fund 3702) and the identified funding transfers, there will be sufficient funding in L19140400 to execute Contract Supplement No. 1 to City Agreement No. 2019-0184 with John F. Otto, Inc. dba Otto Construction increasing the contract by \$35.4 million. This change will increase the total not to exceed amount of the design-assist contract with Otto Construction to \$35,469,200. The funding plan identified above will allow sufficient funds to cover construction of the NNCCAC and the remaining project costs including construction administration.

Given the size of the NNCCAC project, staff is also requesting an increase in the City Manager's change order authority from \$25,000 to six percent (\$2.1 million) of the new not-to-exceed amount of \$35,469,200 without Council authorization for the construction phase of the NNCCAC.

Notwithstanding City Code section 3.60.210(B), staff recommends the previously-mentioned increase of the City Manager's change order authority pursuant to City Code section 3.60.240 and such variance is appropriate because it is not reasonable to have the change order authority based on the pre-construction amount for a \$35.4 million construction project. Modification of the change order authority will allow the NNCCAC project to be completed efficiently and timely.

Local Business Enterprise (LBE): John F. Otto, Inc. dba Otto Construction is an LBE.