

Mammoth Lakes Town Council Staff Report

Title: MLR Measure R & U Funding Recommendations for FY17-18 – and funding for the Multi Use Facility

Meeting Date: May 17, 2017

Prepared by: Rich Boccia; Mammoth Lakes Recreation
Rob Patterson; Finance Director
Daniel C. Holler, Town Manager

Recommendation

It is recommended that the Council take the following actions:

- 1) Approve the Multi-Use Facility Project funding of \$9.5 million including bond proceeds of \$4.9 million secured by Measure R, allocation of fund balance reserves of \$2,600,000 from Measure R, \$500,000 from Measure U and \$1.5 million in fund raising
- 2) Direct staff to proceed with construction documents for site work with the intent to construct the site work August through November 2017
- 3) Direct staff to bring back an amendment with HMC (Architect) for final construction documents with the intent to construct the remainder of the facility in 2018

Background Information

The Mammoth Lakes Recreation (MLR) Board of Directors have been reviewing budget and funding recommendations presented to them by MLR staff and Town staff over the past three months in preparation to approve a budget recommendation to the Town Council. The deliberation included reviewing a number of options for funding the Multi Use Facility. This included consideration of a “phased project”, use of debt financing, impact on other capital projects and ongoing operational funding. The phased approach looked at breaking the project into two major components – Ice Rink/RecZone and Community Center. The phased approach included a \$6.5 million first phase with the focus on the Ice Rink/Rec Zone with a second phase to be completed some time in the future. To construct the complete project the estimated cost is \$9.5 million. The phased approach was reviewed as a potential process to fund the project without the use of debt financing. The Towns’ Recreation Commission also received updates and reviewed the potential phasing and funding alternatives. After substantial review both MLR and the Recreation Commission support funding a “complete project” and the use of debt financing for the project.

Mammoth Lakes Recreation is the body appointed by the Town Council to review funding requests for the use of Measure R and U funds to make recommendations to the Town Council. The Council has the final decision making authority on the use of the funds. The Town Council

may accept, modify or deny the recommended use of the funds. The information presented here represents the recommendation for Town Council consideration.

Analysis

MLR is recommending financing for a complete Multi Use Facility that is ready for recreational programming uses for our community. This option has a construction cost of \$9,500,000 that will be funded with \$4,900,000 in bond proceeds (a \$5 million bond issuance to net \$4.9 million) secured by Measure R tax revenues, allocation of Fund balance of \$2,600,000 from Measure R and \$500,000 from Measure U and a commitment to raise \$1,500,000 in private capital to finish the project. The project will be awarded in phases that will maximize the use of available funds, meet timing requirements to issue debt and provided additional time to raise the necessary funds for a complete project. At this time, Town staff is recommends that the \$9.5 million be a hard cap on the project that may require some level of “value engineering” pending final bids. The alternative is to increase the level of funds raised for the project.

The Town of Mammoth Lakes Recreation Commission reached consensus at their Recreation Commission Meeting on May 2, 2017 to recommend the financing outlined above to complete the Multi-Use Facility. The Mammoth Lakes Recreation Board of Directors recommended the funding outlined above to be included as part of the FY17-18 budget for Measures R & U Funds at their board meeting on May 2, 2017. If approved by the Town Council the proposed final budget for FY17-18 will include the recommended funding allocations as appropriate.

Recommended Financing Option for Complete Project

Multi-Use Facility Details

| | | |
|---|-----------|------------------|
| Projected Construction Costs | \$ | 9,500,000 |
| Financing Contribution | \$ | (4,900,000) |
| <hr/> | | |
| Remaining required funds | \$ | 4,600,000 |
| <hr/> | | |
| Measure R Fund Balance - Contribution | \$ | (2,600,000) |
| Measure U Fund Balance - Contribution | \$ | (500,000) |
| Funding Raising - Required - Flexibility between projects | \$ | (1,500,000) |
| <hr/> | | |
| Remaining Balance | <u>\$</u> | <u>-</u> |

The Funding contribution of \$4,900,000 can be achieved with a bond financing option secured by Measure R Sales Tax revenues (Transaction and Use Tax). The initial review of the bond financing is presented below. The proposal is a \$5 million bond issuance to net \$4.9 million in proceeds to be used for the project. This is still an estimate and the final net bond amount will be determined by market interest rates and actual costs at the time of issuance. Bond issuance will take 90-120 days. The use of Measure R and U fund balances are identified to complete

early phases of the project that are anticipated to be completed by November 2017. The financing plan includes a commitment to raise other funding in the amount of \$1,500,000 prior to the building phase with bid awards anticipated in approximately 12 months. The project timing and funding structure is contingent upon the final EIR being in place this June.

The preliminary estimate for the debt financing (bond issuance) portion of the funding is as follows:

Measure R Financing

| | |
|-----------------|-------------|
| Amount Financed | \$5,000,000 |
| Annual Payment | |
| Interest Rate | 3.5% |
| Term (Years) | 10 |

| Principal | Interest | Payment | Year |
|--------------------|--------------------|--------------------|------|
| \$426,207 | \$175,000 | \$601,207 | 1 |
| \$441,124 | \$160,083 | \$601,207 | 2 |
| \$456,563 | \$144,643 | \$601,207 | 3 |
| \$472,543 | \$128,664 | \$601,207 | 4 |
| \$489,082 | \$112,125 | \$601,207 | 5 |
| \$506,200 | \$95,007 | \$601,207 | 6 |
| \$523,917 | \$77,290 | \$601,207 | 7 |
| \$542,254 | \$58,953 | \$601,207 | 8 |
| \$561,233 | \$39,974 | \$601,207 | 9 |
| \$580,876 | \$20,331 | \$601,207 | 10 |
| \$5,000,000 | \$1,012,068 | \$6,012,068 | |

Note:

\$100,000 in Closing Costs leaves \$4.9 million in funds available for Multi-Use Facility

As noted, the final structure of the proposed debt issuance will be tied to market interest rates, actual costs and bond structure.

The allocation of current fund balance of \$2,600,000 to the total project cost will reduce the projected available fund balance to \$800,888 in Measure R at the close of FY17-18. The details of the current fund balance along with anticipated revenues and committed expenses for the coming year are provided in the following table.

Measure R - Details

| | | |
|---|-----------|-------------------------|
| Projected Ending Balance 6/30/2017 | \$ | 3,220,888 |
| One Time Commitments - Trails Capital | \$ | 500,000 |
| Available Ending Balance 6/30/2017 | \$ | <u>2,720,888</u> |
| Projected Income | \$ | 1,250,000 |
| Annual On-Going Costs | \$ | 570,000 |
| Projected Balance close FY2017-18 | \$ | <u>3,400,888</u> |
| Funding Contribution - Multi Use Facility | \$ | 2,600,000 |
| Funds Available - Close FY2017-18 | \$ | 800,888 |

Measure R - Annual Ongoing

| | | |
|-------------------------------------|-----------|----------------|
| ML Trails System | \$ | 300,000 |
| MLR Town Agreement - Administration | \$ | 200,000 |
| Special Projects | \$ | 25,000 |
| TOML Trails End Park Maintenance | \$ | 12,000 |
| TOML Whitmore Park Maintenance | \$ | 25,000 |
| TOML Equipment Replacement | \$ | 2,000 |
| TOML Equipment Maintenance | \$ | 2,000 |
| TOML Audit Services | \$ | 4,000 |
| Annual On-Going Costs | \$ | 570,000 |

The other commitments of Measure R and U Funds are the subject of separate Council actions and presented here for informational purposes only.

Measure U is proposed to provide a contribution of \$500,000 to the Multi-Use Facility project. This reduction coupled with the anticipated allocation of \$2,500,000 for the Mammoth Arts and Cultural Center (subject to a separate action by the Town Council) will leave an available fund balance of \$763,454 at the close of FY17-18. An overview of the Measure U Fund is provided in the following table.

Measure U - Details

| | | |
|--|-----------|------------------|
| Projected Ending Balance 6/30/2017 | \$ | 3,085,274 |
| One Time Commitments - Aquatic Feasibility Study | \$ | 50,600 |
| Available Ending Balance 6/30/2017 | \$ | 3,034,674 |
| Projected Income | \$ | 900,000 |
| Annual On-Going Costs | \$ | 171,220 |
| Projected Balance close FY2017-18 | \$ | 3,763,454 |
| Funding Contribution - MACC | \$ | 2,500,000 |
| Funding Contribution - Multi Use Facility | \$ | 500,000 |
| Funds Available - Close FY2017-18 | \$ | 763,454 |

Measure U - Annual Ongoing

| | | |
|---------------------------------|-----------|----------------|
| Programming | \$ | 115,000 |
| Special Projects | \$ | 25,000 |
| TOML Transit Services | \$ | 18,000 |
| TOML Event Contracts Processing | \$ | 7,220 |
| TOML Equipment Replacement | \$ | 2,000 |
| TOML Audit Services | \$ | 4,000 |
| Annual On-Going Costs | \$ | 171,220 |

Since the financing will be secured by Measure R, the debt payment will need to be funded from this account. Current estimates of revenue and ongoing expense will leave slightly less than \$4,000 in available revenue over expenses on an annual basis, unless adjusted. In addition to the financing cost of \$601,227 Measure R will increase its contribution to ongoing expense of the facility by \$75,000 in FY18-19 to support anticipated program staffing at the Multi Use Facility. The table below outlines the Measure R Fund balance estimate for FY18-19. The revenue estimate is conservative. As "Transactions and Use Tax" vs. a "Sales Tax", revenues average 55% of the Town's Sales Tax revenues. The projection from HdL Consulting in reviewing mid year revenues for the current year, projection for FY17-18 was \$1.3 million. The analysis also assumes 100% expenditure of on-going costs.

Measure R - FY2018-19

| | | |
|--|-----------|----------------|
| Projected Ending Balance 6/30/2018 | \$ | 800,888 |
| Projected Income | \$ | 1,250,000 |
| Annual On-Going Costs | \$ | 570,000 |
| Multi-Use Facility Staffing Support - New | \$ | 75,000 |
| Annual Debt Payment | \$ | 601,207 |
| Projected Balance close FY2018-19 | \$ | 804,681 |
| Annual Funds Available from Measure R | \$ | 3,793 |

While Measure U does not contribute to the debt service payment, it could support funding ongoing expenses in Measure R and help to alleviate the tight revenue to expenditure projection for this fund. Measure U does have a new proposed expense of \$300,000 for ongoing support of the MACC once that facility is completed. Below you will see the anticipated revenue and expenditures for Measure U starting in FY18-19.

Measure U - FY2018-19

| | | |
|--|-----------|------------------|
| Projected Ending Balance 6/30/2018 | \$ | 763,454 |
| Projected Income | \$ | 900,000 |
| Annual On-Going Costs | \$ | 171,220 |
| MACC - Ongoing Support (proposed) | \$ | 300,000 |
| Projected Balance close FY2018-19 | \$ | 1,192,234 |
| Annual Funds Available from Measure U | \$ | 428,780 |

The two combined funds with currently available projections should have a collective fund balance of just under \$2,000,000 at the close of FY18-19. The projected annual fund balance, revenues over expenses is \$432,573. This is a conservative approach and is based on the assumptions discussed in this report.

Options

The item before the Town Council in this report is to consider the recommended funding structure for the Multi Use Facility in the amount of \$9.5 million as outlined in the report. The Council may approve the recommendation as presented, modify it or deny it.

Option 1

This is the recommended action on the use of Measure R and U Funds for the Multi Use Facility to include the use of debt financing through the issuance of bonds in the amount of \$5 million; the use of Measure R and U reserves in the amount of \$3.1 million; and raising \$1.5 million in additional revenues as presented in this report.

Option 2

The Council may modify to the recommendation. This may include direction to pursue funding raising options prior to confirming the proposed use of debt. Council may reconsider a phased project tied to available funding. The use of additional reserves for the Multi Use Facility may be considered, which may push other projects further into the future. Specific direction on any alternative funding option(s) if desired will assist staff in defining the how the project may proceed.

Summary

The Multi Use Facility and funding options have been discussed at a number of public meetings with MLR and the Recreation Commission. The recommendations are to move forward with a complete project vs. a phased approach. The projected funding need for this type of project is \$9.5 million. The recommend funding option is to fully fund the project to include a commitment to raise \$1.5 million in support. The recommendation also includes direction to staff to proceed with the next steps necessary to complete site work this late summer and to fund the Architects to complete construction drawings for the facility.