



*City
Council
Report*

Item: 14
Category: OLD BUSINESS
Meeting Date: January 15, 2019

TITLE: Actions Related to Implementation of Measure O (Resolution/Roll Call Vote)

RECOMMENDED ACTION

Receive the informational report regarding the anticipated Measure O work plan and timeline and approve a Resolution declaring the intent of the City of Campbell to reimburse certain expenditures from the future sale tax-exempt bonds.

BACKGROUND

The Civic Center Master Plan (CCMP) was first identified as a City Council priority in Fiscal Year 2013-14. The goal of the CCMP was to develop a long-term planning document establishing the framework and design elements of the Civic Center campus.

From 2014-2016, a multi-disciplinary project core team developed various design options to address the space needs of City Hall, Library and the Museum. Seismic and structural assessments were conducted in order to obtain data that could determine a helpful project cost estimate. The City's architectural consultant developed cost models to provide potential cost ranges for projects at various magnitudes. A July 2015 cost model showed a \$151-\$164 million cost associated with the various design options to the civic center campus. The financial magnitude of a project in that cost range was not feasible for the City. Throughout Fiscal Years 2017 and 2018, the City Council continued to adopt the CCMP as a priority and in its public discussions over those years, the City Council narrowed down the scope of a CCMP construction project to prioritize facility needs at the Library and Police Department. Based on direction from the City Council, staff began to prepare for a potential revenue measure to be placed on the November 2018 General Election ballot. Public outreach and opinion polling was conducted to determine the citizens' priorities and preferred funding mechanisms. The City Council studied and discussed both parcel tax and general obligation bond measures at various tax levels.

In June 2018, the City Council authorized the placement of a bond measure on the November 6 General Election ballot, subsequently named as Measure O by the Santa Clara County Registrar of Voters. Measure O authorizes the sale of up to \$50 million in General Obligation (GO) bonds to fund a police emergency operations center that is fully operational during a disaster and an energy-efficient library that is seismically safe and accessible.

On November 6, 2018, City of Campbell voters approved Measure O with a 'Yes' vote of 69.5% by the citizens that voted in the General Election.

DISCUSSION

The purpose of this report is to provide the City Council with a general outline of the significant milestones and anticipated timing of the work that will get the City to the start of a construction project. This report will identify those major work items. It is expected that the details and refinement to both scope and timeline will be developed and presented to the City Council in the coming months. Staff has been working with financial consultants and Bond Counsel to develop the milestones and timeline. Prior to the issuance of bond debt, staff has identified these immediate four next steps.

1. Timeline

The voters' approval of the general obligation bond measure set the sale of bonds as one of the major milestones and thus also set the path for staff to think about the work that would need to be completed prior to that bond sale. Furthermore, at the time of issuance of bonds, the City must have the reasonable expectation of spending at least 85% of bond proceeds within 3 years, therefore it is also important to be well prepared and organized so that the City can expend the money in a timely manner. Additional technical studies including environmental review are needed in order for the City Council and public to engage in the vetting of the project scope and for the City Council to take action on project decisions.

Taking into consideration the work needed to be done prior to any meaningful spending of bond proceeds, staff has proposed February 2020 as a target for the first sale of bond proceeds. Voters approved the sale of up to \$50 million in bonds. Staff believes that conducting two separate sales of bonds, a smaller \$5 million bond issue, and then a second sale for \$45 million would provide the City with the funding to conduct the various phases of the project (studies, design, bidding and construction). Below is a draft timeline based on the known major deliverables. The recommended approval of the Reimbursement Resolution is the first item recommended by staff. If approved, project consultants will be retained to conduct the various technical studies, a design firm could be retained, and the hiring of a project manager will be recommended as part of the mid-year FY 2018-19 budget update. The two bond sales have been timed to occur in February 2020 and in the first quarter of 2021. The first bond sale will fund some of the technical studies and project design, leading up to the awarding of a construction contract. The second bond sale is anticipated to fund the construction costs. Below is an outlined timeline based on calendar quarters.

Calendar Year 2019

Quarter 1: Reimbursement Resolution recommended
Engage Project Consultants

- Quarter 2: Hire Project Manager
Begin Technical Studies and Environmental Review
- Quarter 4: Begin Project Design

Calendar Year 2020

- Quarter 1: First Bond Financing Process (document approval & sale)
~\$5 million
- Quarter 2: Appointment of Citizens' Oversight Committee
Funding from Bond Sale Proceeds Received
Complete Project Design
Develop Project Bid Specs
- Quarter 3: Bid Project and Receive Bids
- Quarter 4: Approve Remaining Financing Amount and Award Project

Calendar Year 2021

- Quarter 1: Second Bond Financing Process (document approval & sale) ~\$45 million
- Quarter 2: Funding from Second Bond Sale Proceeds Received
Construction Begins

2. Reimbursement Resolution (Attachment 1)

The technical studies and staffing to get the work of a construction project scoped will require the City to expend money prior to the sale of bonds. Staff recommends adoption of the attached Reimbursement Resolution. This resolution is necessary if the City intends to reimburse itself from tax-exempt bond proceeds spent on voter-approved projects more than 60 days prior to the issuance of bonds. Federal tax regulations require that the City of Campbell declare its intent to reimburse fees under these circumstances. This action is permissive. The resolution is recommended for approval solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations and state law. They do not bind the City to make any expenditure, to incur any indebtedness, or to proceed with the project.

To pay for project expenses prior to the receipt of bond proceeds, the City proposes to use reserve funds from various sources such as the Civic Center Master Plan, City Council Priorities, General Fund, and/or Economic Fluctuation fund. During the Fiscal Year (FY) 2019-20 proposed operating budget presentations, staff will identify and propose specific funding accounts and amounts for City Council approval.

3. Staffing

As an early administrative step in the process, staff will recommend the hiring of a Project Manager as part of the mid-year FY 2018-19 budget update. This

position will manage work related to Measure O construction projects, provide specialized oversight role to develop project specifications, issue the construction RFP, and manage the work with all consultants. This type of work cannot be absorbed by existing City staff without impacting existing work on approved capital projects. A staffing budget request will also be part of the proposed FY 2019-20 budget.

4. Citizens' Oversight Committee

As approved by voters, the measure requires the establishment of a citizens' oversight committee to monitor plans and expenditures to ensure that funds are spent in accordance with Measure O. Given this role, the group will not have any expenditure review until after bond proceeds have been expended and audited. Staff will return to the City Council with recommended composition, bylaws, and selection process for appointment in early 2020 prior to the approval process to begin selling the general obligation bonds.

Next Steps

Upon City Council receipt of this informational report and any comments provided by the City Council related to this report, staff will begin the work of engaging consultants to conduct the technical studies. A second informational report will be provided to the City Council in March to report on any study findings and recommend the appointment of a City Council Ad-Hoc committee to provide input as the process unfolds throughout the upcoming years.

FISCAL IMPACT

The City proposes to use reserve funds from various sources such as the Civic Center Master Plan, City Council Priorities, General Fund, and/or Economic Fluctuation fund. During the Fiscal Year (FY) 2019-20 proposed operating budget presentations, staff will identify and propose specific funding accounts and amounts for City Council consideration.

ALTERNATIVES

1. Do not adopt resolution and provide alternate direction to staff.

Prepared by:



Margarita Mendoza, Administrative Analyst



Approved by:

Brian Loventhal, City Manager

Attachment:

1. Reimbursement Resolution
2. Draft Measure O Implementation Timeline

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL
DECLARING INTENTION TO REIMBURSE EXPENDITURES
UNDER FEDERAL TAX RULES**

WHEREAS, the City of Campbell (the “City”), County of Santa Clara, State of California, in connection with the acquisition, construction and improvement of certain property to be used for municipal purposes, as approved by voters in the City at the November 6, 2018 election (the “Project”), expects to issue tax-exempt bonds (the “Obligations”) to finance all or a portion of the Project and to use a portion of the proceeds of the Obligations to reimburse expenditures made by the City for the Project prior to the issuance of the Obligations;

WHEREAS, United States Income Tax Regulations Section 1.150-2 (the “Regulations”) provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer declare an intention to reimburse such expenditure; and

WHEREAS, it is in the public interest and for the public benefit that the City declare its official intent to reimburse the expenditures referenced herein;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CAMPBELL AS FOLLOWS:

1. **Obligations.** The City intends to issue the Obligations, in the maximum principal amount of \$50,000,000, within the meaning of the Regulations to finance all or a portion of the costs of the Project.
2. **Reimbursement.** The City Council of the City (the “Council”) hereby declares that the City reasonably expects to use a portion of the proceeds of the Obligations for reimbursement of expenditures for the Project that are paid before the date of issuance of the Obligations.
3. **Purpose.** The adoption of this resolution shall be solely for the purpose of complying with the provisions of the Regulations and shall not be deemed an approval of all or any part of the Project or a commitment on the part of this Council to issue any or all of the Obligations or otherwise provide for financing of the Project.
4. **Effectiveness.** This resolution shall be effective from the date of its adoption by the Council.

PASSED AND ADOPTED this 15th day of January, 2019, by the following roll call vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

APPROVED:

Richard M. Waterman, Mayor

ATTEST:

Wendy Wood, City Clerk

Attachment: Reimbursement Resolution (1347 : Actions Related to Implementation of Measure O)

Measure O DRAFT Implementation Timeline

