

23. DISCUSSION TO CONSIDER FUTURE APPROPRIATIONS AND ENCUMBRANCES FOR ABOVE GROUND WORK ASSOCIATED WITH NEIGHBORHOOD PROJECTS IN ANTICIPATION OF GENERAL OBLIGATION (G.O.) BOND FUNDS

February 14, 2018 - C4 O
Public Works ACTION

Eric Carpenter, Assistant City Manager/Public Works Director, presented the item. He said that this item is to talk about projects that have been funded for neighborhood improvements. Each project has different components to it. One of the components are referred to as above ground costs. The water, sewer, and stormwater are enterprise funds that pay for the utilities, the pipes, the pumps, underground infrastructure, and a portion of the roadway that is torn up during the installation. Many of the above ground improvements are those that people see, for example the aesthetics. He said what they are asking here today, about projects that are planned to move forward that have above ground shortfalls on. He wants to know if the Committee wants him to move forward the same way projects have been done in the past where they relied on potential future funding sources or if we want to have the money in hand before we are moving forward with these projects.

Commissioner Samuelian said he is open to the discussion and recommendation of Eric Carpenter, but given the two choices he leans toward the latter. He is concerned that if we didn't have the RDA money that we might be staring at a \$4.7 million shortfall and a problem. At least at first blush, if we are going to go into a neighborhood and do a project he would expect that we have the money to do the below ground as well as the above ground otherwise we run a risk.

Eric Carpenter said he totally understands Commissioner Samuelians's position and he doesn't differ from it, but that is one of the reasons why we have started talking about the G.O. Bond process because that would be a way to generate additional above ground funding sources to be able to move forward with some of these neighborhoods. It is difficult to make sure the above ground looks better after the project is done than before, but it is very difficult that when you are bonding out the underground work and we don't have the ability to bond out without a G.O. Bond that requires a referendum for the above ground portion to make those dollar figures line up.

Commissioner Samuelian asked if there are specific projects where there is an issue where Commissioner Arriola and he can give guidance on.

Eric Carpenter said there are a number of projects. He said they moved some of the money from old G.O. Bond projects that were \$4.5 million to close out the above grounding funding needs in the existing projects. Moving forward we have the La Gorce Neighborhood improvement project, that we have gotten the pricing on, we have about a \$15 million dollar above ground shortfall. The North Shore neighborhood improvements have about a \$10 million shortfall.

Commissioner Arriola asked if these were intended to be included in the G.O. Bond. Eric Carpenter said yes. He said it really comes down to putting the projects on hold until the referendum passes or we continue moving forward.

Commissioner Arriola said the downside is the delay. We can fund this portion now with the RDA money which we can replenish if the G.O. Bond passes.

John Woodruff, Chief Financial Officer, said we have already done that with two existing projects. We are talking about any additional projects. We have to be careful that if the G.O. Bond doesn't pass or if the RDA amendment doesn't pass we wouldn't have a funding source.

Eric Carpenter said they are happy to move as fast or as slow as needed, but in order to make the dollar figures line up we have to judge that based on what our funding approach would be.

Commissioner Arriola said we need to pass the G.O. Bond to fund all of these projects, but if it doesn't pass we are in trouble.

Eric Carpenter said in the past we have raised the storm water rates even though we hadn't gone to the bond market yet. We appropriated it against the line of credit because we knew we had bond money coming. On the above ground side it is not so clear because it is not just a resolution to the Commission; it is an actual referendum to the general public.

Commissioner Arriola asked if this is a ripe question for them to be considering right now given that there are so many projects to worry about. He asked if this can wait 9 months to see how the G.O. Bond goes before the Committee gives direction or does he really need the direction today.

Eric Carpenter said he doesn't need the direction today, but it is something we need to really start talking about because he has a project that is almost ready to award in the La Gorce Neighborhood project. In the West Avenue Neighborhood he knows Rafael Paz in Legal was not 100% comfortable, but he worked with them to come up with a contractual mechanism that bought them some time to be able to make that firm decision from where to fund the above ground improvements. Maybe we can do something similar on the future La Gorce contract. It does come with some risk of disappointing the public.

John Woodruff said part of the risk here is that with the previous projects we talked about \$1.5 million and \$3.7 million, that is pretty different than \$13 million for La Gorce. We would have a real challenge coming up with that, without having the G.O. Bond.

Rafael Paz, First Assistant City Attorney, said if we are going to rely on the G.O. Bond as the funding plan, we should be careful because it is subject to a referendum. We need to identify an alternate funding source now to move forward with that balance.

Commissioner Arriola said that \$13 million dollar is a lot, we would need to build a reserve for 3-5 years to get there and that would deplete most of our discretionary money every year. It is why we are doing the G.O. Bond. We need to pass the G.O. Bond to keep the City's infrastructure moving forward.

Commissioner Samuelian said that he thinks Commissioner Arriola is right; it would not be prudent to commit to projects that bet on the G.O. Bond passing. We might have to go back to our master plan and do things differently. He is not at this point comfortable with starting a project where the neighborhood

is going to expect something if there is not a way to do it unless the G.O. Bond passes. If that means delay to some extent and he hates saying that, he thinks it would be the prudent course.

Commissioner Arriola is in agreement with Commissioner Samuelian. He said at least with projects \$13 million, he doesn't want to signal to neighborhoods promises that we may not be able to keep absent the G.O. Bond. As a mechanism to get voters to understand that if they want this work to be done, they need to support a G.O. Bond.

DIRECTION: Identify existing above ground funding source before moving forward with neighborhood improvement projects.