

Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS

DATE: MARCH 12, 2020

FROM: FINANCE DEPARTMENT

WARDS: ALL

SUBJECT: ESTIMATED COST TO ISSUE DEBT FOR TWO OPTIONS FOR MUSEUM REHABILITATION AND EXPANSION PROJECT

ISSUE:

That the Budget Engagement Commission receive and provide input on the estimated cost to issue debt for two options regarding the Museum Rehabilitation and Expansion Project.

RECOMMENDATION:

The Budget Engagement Commission receive and provide input on the estimated cost to issue debt for two options regarding the Museum Rehabilitation and Expansion Project.

BACKGROUND:

On January 31, 2017, at a special meeting, City Council reviewed a proposed Measure Z spending plan that estimated \$15 million for Museum renovation. This sum was confirmed at a May 9, 2017 City Council meeting approving a Measure Z spending plan for the five-year period of 2016-2021. The Measure Z spending plan includes a debt service estimate in anticipation of the need to finance the project so that construction can be completed by or before 2022.

On December 19, 2017, the City Council amended the Measure Z five-year spending plan, authorizing reallocation of \$1.3 million from the Museum Department renovation budget of \$15 million to the new Main Library budget to construct a City Archive. This decision reduced the allocation for the Museum renovation to its present allocation of \$13.7 million.

On February 13, 2020, the Budget Engagement Commission (BEC) received a report from Museum Director, Dr. Robyn Peterson, on several options for a Museum Rehabilitation and Expansion project. Three (3) options were discussed at an estimated cost of \$14,230,000, \$22,053,000 and \$24,468,000, respectively. After discussion, the BEC requested finance staff return with an analysis of total debt service estimated costs for option 2 at a project cost of \$22,053,000, or option 3 at a project cost of \$24,468,000.

DISCUSSION:

Staff has prepared the following analysis of the total interest costs and other related charges for the issuance of debt under option 2 or 3 for the Museum Rehabilitation and Expansion Project. The interest and subsequent costs are estimates only and are based on today's current market environment which may be different from the market environment at the time that the Project is initiated. The timing of debt issuance could have an effect on estimated total interest and other related costs.

	Scenario 1 (Measure Z)	Scenario 2 (Measure Z)
Construction Fund	\$22,053,000	\$24,468,000
Cost of Issuance	\$350,000	\$350,000
Underwriter's Discount	\$165,398	\$183,510
Total Financed	\$22,568,398	\$25,001,510
Term (Years) Projected TIC (Interest) Annual Payment (Average) Total Interest Cost	17 3.50% \$1,783,877 \$7,757,508	17 3.50% \$1,976,198 \$8,593,850
Total Cost of Debt	\$30,325,906	\$33,595,360
Measure Z Funding	13,700,000	13,700,000
Additional Funding Needed	\$16,625,906	\$19,895,360

FISCAL IMPACT:

There is no fiscal impact associated with discussion of this report. However, a recommendation to proceed with Option 2 or Option 3 increases the impact on the need for additional Measure Z funds, or a combination of Measure Z and other funding sources, at an estimated level of \$16,625,906, or \$19,895,360, respectively.

Prepared by: Approved as to	Edward Enriquez, Chief Financial Officer/Treasurer
availability of funds: Approved by:	Edward Enriquez, Chief Financial Officer/Treasurer Lea Deesing, Assistant City Manager

Attachment:

Presentation