



Office of the City Manager

11CONSENT CALENDAR

December 1, 2020

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager
 Scott Ferris, Director, Parks Recreation and Waterfront
 Liam Garland, Director, Public Works

Subject: Measure T1 Loan

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to loan \$198,400 from the Mental Health Realignment Fund balance to complete the Phase 1 Mental Health Adult Clinic renovation project and authorizing the City Manager to repay the loan to the Mental Health Realignment Fund balance from the Phase 2 Measure T1 bond proceeds once they are available.

FISCAL IMPACTS OF RECOMMENDATION

The resolution approves a loan of \$198,400 in FY 2021 to the Measure T1 Fund from the Mental Health Realignment Fund balance in order to ensure that the T1 fund has adequate cash on hand to complete the project. This \$198,400 will be appropriated as part of the First Amendment to the FY 2021 Annual Appropriations Ordinance. A rescheduled acceleration of the Phase 2 bond sale from November 2021 to spring of 2021 will allow these funds to be reimbursed within the same fiscal year (bond offering will be conditioned on the market dynamics at that time and will follow the city's debt policy).

CURRENT SITUATION AND ITS EFFECTS

Due to a number of unforeseen issues discovered during the extensive renovation of the Mental Health Adult Clinic at 2640 Martin Luther King Jr Way, costs for the total project exceed currently budgeted funds by \$198,400. The cost to complete all Phase 1 T1 projects is approximately \$42.7 million. The City's T1 cash is \$36.7 million, which includes \$35 million in bonds sold and \$1.7 million of estimated earned interest. This leaves an estimated funding gap of \$6.0 million. In March 2019, Council authorized a \$5.3 million loan from the General Fund in FY 2021 to cover the gap and complete the Phase 1 projects. Additionally, \$700,000 is needed to cover unforeseen construction costs, COVID-19 issues and delayed construction costs at the Adult Mental Health Services Center (MHSC), North Berkeley Senior Center (NBSC) and the Marina Streets projects. This amount is an estimate, contingent on final costs to complete the two

largest remaining Phase 1 projects, NBSC and Marina Streets Projects. Additional overages in these projects may impact available phase 2 funds.

With the advent of COVID-19 pandemic emergency the City faced a \$39 million FY 2021 General Fund budget shortfall that made it necessary to use the \$5.3 million that was planned as a T1 loan for other operational needs. With the budget shortfall and the need for \$5.3 million to be used for FY 2021 operational needs, staff had to develop alternative strategies to fund T1 Phase 1 projects without drawing on the additional General Fund allocation. These strategies included delaying selected Phase 1 projects, borrowing funding from Parks, Recreation & Waterfront (“PRW”) Department and Public Works (“PW”) Department special funds to be reimbursed by the Phase 2 bond sale, and accelerating the Phase 2 public process and bond sale. Even with these measures there is not enough cash on hand to support the additional \$198,400 for the Mental Health Adult Clinic renovation.

On December 13, 2016, Council approved Resolution 67,781-N.S. authorizing the City to use bond proceeds to reimburse project expenditures that occurred prior to the bond sale. The Resolution did not limit this to the General Fund, it applies to any funding source used for T1 project costs.

Authorizing a loan of \$198,400 and completing this important Phase 1 Measure T1 project is a Strategic Plan Priority Project, advancing our goal to provide state-of-the-art, well-maintained infrastructure, amenities, and facilities as well as improving social and racial equity.

ENVIRONMENTAL SUSTAINABILITY

The new center will be nearly zero net emissions which will reduce greenhouse gasses and be a model for future facilities in Berkeley.

RATIONALE FOR RECOMMENDATION

The recommendation allows the City to more quickly support people with serious mental illness in a beautifully renovated center that is one of the T1 projects.

CONTACT PERSON

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Attachments:
1: Resolution

RESOLUTION NO. ##,###-N.S.

MEASURE T1 FUND LOAN FROM PARKS TAX FUND AND MEASURE BB – LOCAL
STREETS & ROADS FUND

WHEREAS, Expenses to complete the extensive renovation of the Mental Health Adult Clinic have risen substantially leaving a gap of \$198,400; and

WHEREAS, in March 2019, Council authorized \$5.3 million from the General Fund for FY 2021 to cover the gap and complete Phase 1 projects; and

WHEREAS, with the advent of COVID-19 pandemic emergency, the City faced a \$39 million FY 2021 General Fund budget shortfall that made it necessary to use the \$5.3 million for other operational needs; and

WHEREAS, staff had to develop alternative strategies to fund Phase 1 projects without drawing on the additional General Fund allocation including delaying selected Phase 1 projects, borrowing funding from PRW and PW special funds to be reimbursed by the Phase 2 bond sale, and accelerating the Phase 2 public process and bond sale; and

WHEREAS, On December 13, 2016, Council approved Resolution 67,781-N.S. authorizing the City to use bond proceeds to reimburse project expenditures that occurred prior to the bond sale and did not limit this to the General Fund but applies to any funding source for T1 projects; and

WHEREAS, the T1 program will not have sufficient cash on hand to cover the additional \$198,400 need in FY 2021 to complete Phase 1 Mental Health Adult Clinic renovation project; and

WHEREAS, the Mental Health Realignment Fund balance is an allowable source for loan funds for this Phase 1 Project; and

WHEREAS, an appropriation of \$198,400 from the Mental Health Realignment Fund balance will be included in the First Amendment to the FY 2021 Annual Appropriations Ordinance; and

WHEREAS, a rescheduled acceleration of the Phase 2 bond sale from November 2021 to spring of 2021 will allow these funds to be reimbursed within the same fiscal year so that there would be minimal impact on fund forecasts and budget projections (bond offering will be conditioned on the market dynamics at that time and will follow the city's debt policy).

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to loan \$198,400 from the Mental Health Realignment Fund

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balance to the Measure T1 Fund to complete the Phase 1 Mental Health Adult Clinic renovation project.

BE IT FURTHER RESOLVED that the City Manager is authorized to repay the loans to the Mental Health Realignment Fund balance from the Phase 2 Measure T1 bond proceeds once they are available.