

MAMMOTH LAKES RECREATION STAFF REPORT

Title: The public hearing provides the public opportunity to comment on the proposed use of Measure U funds for the Mammoth Arts & Cultural Center:

Meeting Date: March 12, 2024

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

Town Staff is requesting Mammoth Lakes Recreation consider supporting the following recommendations for the one time use of Measure U Funds, provided in priority order for the construction of the new performing arts auditorium:

1) Requested Additional Measure U Support for construction purposes:

Current uncommitted Fund Balance	\$700,000
FY24/25 Operational Funding	300,000
Re-Direct Amphitheater Design Funding	300,000

2) The commitment of FY23/24 unused Operational Funding of \$300,000 to establish an endowment to support the operational and maintenance cost of the new theater facility.

3) The ongoing use of up to \$180,000 to assist in debt service, for 13 years

BACKGROUND

For the past several years the Mammoth Lakes Foundation (Foundation), Town of Mammoth Lakes, Mammoth Lakes Recreation and numerous other individuals and non-profits have worked to bring forward the Mammoth Arts and Cultural Center (MACC). This project envisioned several elements including the ongoing use of Edison Hall, a new Performing Arts Theater, an outdoor amphitheater, and potential for artists in residence space. The project has been scaled back over time to meet the financial realities of construction and operational costs. The Town and the Foundation have continued to work together to bring a viable facility to completion. The work has been supported by Mammoth Lakes Recreation (MLR) using Measure U funding, and commitment of funding for the future project. The efforts of the Foundation and Town over the last two years have moved the project forward and we are moving towards a planned groundbreaking for the project this summer (2024). The project will require additional use of Measure U funds as outlined below. Town staff are requesting MLR to review, comment and provide recommendations accordingly.

PROJECT OVERVIEW

The performing arts component of the project was re-envisioned to construct a new performing arts auditorium connected to Edison Hall. The use of Edison Hall reduced the need for additional ‘back of house’ space in the new facility. The concept design is attached. The layout provides for a 242+/- seat performing arts auditorium (or the theater). The concept does not include the full “fly” space for a full theater concept but is designed to accommodate a mix of users and types of performances. MLF will be proceeding with the necessary remodel of Edison Hall this winter/spring. The final design and construction drawings for the new space are proceeding. The Town will be managing the construction of the new facility. The layout of the facility will require additional coordination with other project work and partners to accommodate traffic flow and parking.

To achieve the planned project the Town and MLF are in negotiations for the Town to acquire approximately 8 acres of land. The site includes the planned Theater project, a childcare facility, the amphitheater, a dog park, a 40 space parking lot, and a new restroom. Space for the future amphitheater is also retained. The Town and MLF will continue to work with Cerro Coso College regarding shared parking and funding for the new facility.

FINANCIAL CONSIDERATIONS

The project has been modified to meet financial constraints related to the capital funding estimates. The current concept plan and preliminary all in budget estimate ranges from \$15 million to \$15.5 million. The final all in capital costs are being refined. The recommended funding structure for the project includes the following:

Funding Sources

Kern Community College District (KCCD) Bond Funds	\$7,500,000
Town Commitment of Measure U Funds	3,100,000
Mammoth Lakes Foundation (Land Sale Proceeds)	3,000,000
Mammoth Lakes Foundation Private Donations	<u>500,000</u>
Subtotal	\$14,100,000

Requested Additional Measure U Support

Current uncommitted Fund Balance	\$700,000
FY24/25 Operational Funding	300,000
Re-Direct Amphitheater Design Funding	<u>300,000</u>
Subtotal	\$1,300,000

Total Funding **\$15,400,000**

The ongoing operational costs for the new facility are also under review. The 2022 business plan identified an operating cost of approximately \$700,000. While the modified design will reduce some costs, by the time the facility is open the costs are estimated to be in the \$700,000 to \$800,000 range. The facility is planned to be operated by the Town of Mammoth Lakes. The project was projected to be at a break even point once fully operational. The business plan included \$300,000 of ongoing operating support from Measure U. The Town has allocated an additional \$100,000 for an Arts and Culture Department. It is assumed the \$400,000 in operational funding support from the Town (Measure U/General Fund) will

continue. The business plan model identified approximately \$400,000 in potential revenues from operations. As noted, the business plan and model used will need to be updated to reflect the design change and increased cost estimates. To assist in meeting operational costs, staff is working to create an endowment program to support the ongoing costs of the facility. The Town's allocation of operating funds will not be fully used for FY23/24 and the remaining funds are recommended to be used as needed for the construction project.

Staff are requesting MLR's support in committing the FY23/24 allocation of \$300,000 for operational costs to the endowment fund. A donor is willing to commit \$250,000 in a matching fund program to establish the initial endowment fund at \$800,000. The interest earned from the investment of these funds would go to support the basic operating cost of the facility. Ongoing fund raising efforts for this purpose would continue. The construction of the facility is anticipated to be completed by mid-2026. This provides additional time to secure additional funding.

The purchase of the property is being facilitated through debt issuance by the Town (Certificate of Participation – Lease Structured). The total land cost is \$4.5 million, which will be part of the debt issuance, scheduled for June/July 2024. The Foundation would retain \$1.5 million and commit \$3 million to the project. The debt is part of a larger financing plan for new Town Offices. The proposed term of the debt is 25 years. The last request for MLR consideration is to use up to \$180,000 in Measure U funds for debt service for at least the first 13 years of the debt. The funds would be for principal payments only with interest costs paid for out of other Town resources. The \$180,000 is based on the 25 year term. The final amount will depend on interest rates. The debt is an obligation of the Town's General Fund, and the use of Measure U Funds supports the debt as noted, but it is being used by choice rather than a dedicated source.

The current projections provide the opportunity for the Town to take on the full debt amount and for Measure U Funds to be used for other purposes after the initial 13 years. This occurs with paying off other debt. This will require a detailed review of the debt structure and financial position of the Town. The use of Measure U Funds as recommended does not impact the current allocations for programming and support for other services. While limited, future revenue growth will allow for modest expansion of programs, projects and services funded by Measure U.

The work over the past several months has resulted in a financially viable means for completion of the cornerstone of the long planned MACC. The 242+/- performing arts auditorium incorporating Edison Hall, new parking area and ongoing relationship with KCCD and the Mammoth Lakes Foundation will result in a new amenity in the Town of Mammoth Lakes supporting local and regional arts and culture programming, events and more. This facility will provide a home for local organizations to thrive in bringing a mix of performances and activities for area residents and visitors.