

# TOWN COUNCIL STAFF REPORT

Title: Update on Town Hall Construction and Financing

Meeting Date: June 19, 2024

Prepared by: Robert Patterson, Town Manager  
Haislip Hayes, PE Public Works Director

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## **RECOMMENDATION:**

Receive an update on the Town of Mammoth Lakes Town Hall construction and financing

## **BACKGROUND:**

In February of 2024 Town Manager Dan Holler proposed a financing plan for completion of a new Town Hall. Since then, staff have worked in parallel tracks to complete the project plans and advance the financing package. Town Staff and its consultants have provided updates over the last few months to address specific aspects of the project. These updates included a design update at the joint Town Council and Board of Supervisors meeting and a bond financing update from our consultant just a few weeks ago. Town Council asked during the June 5<sup>th</sup> meeting that Staff provide the figures in advance of the bond sale and contract award.

## **ANALYSIS:**

### **Construction Update**

In June of 2022 the Town Council awarded a design contract for the new Town Hall. Subsequently the design team has worked with Staff to develop the plans and specifications. Staff planned to have a firm construction number in advance of the bond sale to have certainty in the viability of the project. This required scheduling the bid opening with enough time for leadership to make any changes or difficult decisions. Seven months ago, Staff and the consultant team landed on a late May bid opening to provide enough time to solve for any issues. Bids were opened on May 30<sup>th</sup>. The Town received good interest in the project and ultimately received three bids. While the bids were higher than the team had hoped for, the low bid was not unreasonable and viable with some adjustments to the overall financing plan. The analysis below addresses the changes to the financing plan and outlines the changes over time. The additional debt for the building is still within the maximum amount set by the Council in February.

Staff intends to award the construction contract on July 3<sup>rd</sup> after the bond sale has been completed. The Town must have all the money needed to fund construction prior to the award. The construction contract is only one piece of the overall construction cost. Staff budgets for architectural and engineering support, material testing, permit fees, and other predictable costs. Staff generally budget for a 10% contingency to manage any unforeseen

costs associated with construction. For this project Staff is proposing a contingency of \$2 million, which is slightly less than 10%. The construction costs do not include fixtures, furnishings, and some technology elements. These costs will be managed separately as reported by the Town Manager on June 5<sup>th</sup>. The construction phase of the project reported last meeting is projected to be about \$29.5M broken down as follows.

Construction Contract	\$26,979,000
Construction Contingency	\$2,000,000
Materials Testing	\$200,000
Architecture and Engineering Support	\$300,000
Building and Other Fees	\$65,000

**Bond Financing Update**

In February of 2024, the Town Council approved up to \$33,110,000 in total debt issuance in support of the construction of the new Town Hall and acquisition of land to support other initiatives. The cap is intended to define the maximum debt allowable for these initiatives. Based on the land purchase of \$4.5M, this would provide enough funding for approximately \$28.5M for the construction of the Town Hall. This available funding is not sufficient to support the construction, contingency, and construction support elements outlined above. Staff began work on identifying potential sources of funding to add to the project in order to support the cost of bids received and provide the opportunity to continue the project. In this analysis staff identified a number of potential sources that could support the entire gap of \$4.5M, keeping the debt proceeds to \$25.0M as originally planned. The fund sources identified were from all contained in the Fund 990 future capital as either construction contingency, future capital allocations or funds set aside for 2022-2023 winter storms. Additional cash sources include:

Additional Cash	
Bond Payment Reserve - 3rd Qtr 5/15/24	\$ 1,000,000
Future Capital-Excess MLLA	\$ 469,451
Future Capital - 2nd Qtr FY23/24	\$ 1,300,000
Future Capital - 2nd Qtr FY22/23	\$ 213,900
Future Capital - 3rd Qtr 5/4/22	\$ 29,341
Town Facility Damage	\$ 1,627,250
DIF General Facilities	\$ 324,000
<b>Total</b>	<b>\$ 4,963,942</b>

The Town facility damage was set aside for identified damages from the previous winter storms. In May of 2024, the Town received approximately \$1.7M in insurance reimbursement for those damages, therefore making those funds available for reallocation.

Based on a number of factors including available cash, available bond proceeds potential, current construction climate, and the volume of capital improvement work in progress, staff is recommending a split between additional cash and additional bond proceeds to address

the funding gap. This would require approximately \$2.5M cash from the available sources listed above as well as increasing the bond proceed to \$27.0M. The required annual debt service would remain within the Town’s plan to provide existing operating expenses for this debt. Below is a recap of this plan.

**Town of Mammoth Lakes  
Certificates of Participation (New Town Hall), Series 2024**

**Resources Available for Debt Service - Town Hall Project**

<u>Fiscal Year</u>	<u>Current Lease</u>	<u>Internal Loan</u>	<u>Net Jdg Bond</u>	<u>PD Bonds Payment*</u>	<u>Resources Available</u>	<u>Town Hall Debt Service</u>	<u>Add'l Needed**</u>
2024							
2025		500,000	130,000	315,000	945,000	1,094,793	149,793
2026		500,000	130,000	315,000	945,000	1,197,950	252,950
2027	187,500	500,000	130,000	315,000	1,132,500	1,297,950	165,450
2028	375,000	500,000	130,000	315,000	1,320,000	1,317,950	0
2029	375,000	500,000	130,000	315,000	1,320,000	1,316,700	0
2030	375,000	500,000	130,000	315,000	1,320,000	1,315,200	0
2031	375,000	500,000	130,000	315,000	1,320,000	1,318,450	0
2032	375,000	500,000	130,000	315,000	1,320,000	1,316,200	0
2033	375,000	500,000	130,000	315,000	1,320,000	1,318,700	0
2034	375,000	500,000	130,000	315,000	1,320,000	1,315,700	0
2035	375,000	500,000	130,000	315,000	1,320,000	1,317,450	0
2036	375,000	500,000	130,000	315,000	1,320,000	1,318,700	0
2037	375,000	500,000	2,000,000	315,000	3,190,000	2,534,450	0
2038	375,000	500,000	2,000,000	315,000	3,190,000	2,533,950	0
2039	375,000	500,000	2,000,000	315,000	3,190,000	2,534,950	0
2040	375,000	500,000	2,000,000	315,000	3,190,000	2,532,200	0
2041	375,000	500,000	2,000,000	315,000	3,190,000	2,535,700	0
2042	375,000	500,000	2,000,000	315,000	3,190,000	2,534,950	0
2043	375,000	500,000	2,000,000	315,000	3,190,000	2,534,950	0
2044	375,000	500,000	2,000,000	315,000	3,190,000	2,535,450	0
2045	375,000	500,000	2,000,000	315,000	3,190,000	2,536,200	0
2046	375,000	500,000	2,000,000	315,000	3,190,000	2,532,800	0
2047	375,000	500,000	2,000,000	315,000	3,190,000	2,531,200	0
2048	375,000	500,000	2,000,000	315,000	3,190,000	2,536,200	0
2049	375,000	500,000	2,000,000	315,000	3,190,000	2,532,400	0

\*Outstanding bonds paid off 6/1/24

\*\*To be paid from available resources identified for FY25 & FY26

The additional needed column indicates a shortfall in available funding to the required annual debt service. In March 2024, the Town Council set aside \$1.3 million to fully fund this shortfall for future payments. These funds are more than adequate to cover the \$570,000 identified above as well as provide the necessary funding to increase the bond reserve that would be required for this new debt.