



CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: October 16, 2007
To: Honorable Mayor & City Council
From: Scott G. Miller, Chief Financial Officer & Admin. Services Dir.
Noel Marquis, Assistant Director of Administrative Services
Subject: Recommended Phase II Capital Projects for Debt Financing in FY
2007-2008

INTRODUCTION

This report seeks City Council direction on issuing bonds for new capital projects as reviewed by the Council in the City's FY 2007-2008 Capital Improvement Projects budget.

Each project was carefully analyzed and staff is recommending the City Council give staff direction to move forward with the bond preparation process and required legal notices for these projects with the understanding that staff would come to Council for final authorization in November.

DISCUSSION

The City has been under an ambitious capital revitalization and improvement effort for the last several years. In the FY 2005, 2006, and 2007 budgets, Council has directed staff to concentrate on maintenance and improvements projects for the City's base infrastructure by adding \$10M to the Capital Projects Fund Budgets out of General Fund dollars. In addition, a number of additional major capital projects have been conceptually developed and were listed in the FY 2007/2008 Capital Improvement Budget.

As indicated at the City Budget Hearings in May and June, 2007 some of these projects will require debt financing to be constructed and/or implemented. Staff has estimated the costs of each project and staff is seeking Council's direction for using debt financing for these projects. Staff wants to make it clear to Council that Council's direction at this time is not final approval. That will come at a later City Council Meeting with legal notice given to the public and under a formal hearing process. The purpose of this report is to get direction from the City Council.

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The recommended capital projects fall into two categories. One is Water Enterprise Funded Projects and the second is General Fund or officially called Lease Revenue Funded Projects, under our Public Financing Authority. Since the funding sources and the use sources for each category are different, we have separated them much like a typical public bond official statement would separate them. The description of each project and the updated total amount of the hard and soft costs are listed below:

Water Enterprise Project

1. **Water Treatment Plant Buyout** – The water treatment plant was built in 2000 under a design, build, and operate agreement between the City and a private developer, Earth Tech, Inc. In the contract, the City has an option to “buy out” the agreement, which would result in the City taking ownership of both the facility itself and the operations of the water treatment plant. City staff believes the City can operate the plant more effectively at the same level of safety while saving rate payers tens of thousands of dollars a year. Also, because of favorable bond interest rates in the current market, we can save on annual lease costs since the City can get financing at 4.5%-5% a year, as opposed to the fixed financing rate of 6% in the current agreement with Earth Tech, Inc.

The first contract buyout date is scheduled for April, 2008. Staff is currently negotiating with Earth Tech Inc., and believes that a final agreement to buy the plant in time for this important date can be reached.

The amount of bonding required is \$19.8 million.

General Fund (Lease Revenue Funded) Projects

1. **331 Foothill Road Office Building** - As previously reported to the City Council, this office building will be built on the corner of Foothill Road and Third Street. The office is being built to include our award winning Cable Television Studios and offices. The building will also provide leasable tenant spaces for other potential tenants which could be turned into space for future municipal needs.

The construction drawings for the construction of this City owned office building are 85% complete. Per previous Council direction, the project is moving ahead and soon, staff will be preparing a request for construction bids from for general contractors. At the same time, the bidding process occurs, financing of the project should occur so once a winning bid is determined and a contract is finalized construction of the building can begin without delay.

The total amount needed for this project is \$20 million.

FISCAL IMPACT

Staff is currently asking Council for direction to proceed with preparation for issuing bonds to finance this project at this time. Specific costs and the fiscal impact will be explained in detail when the formal request for financing comes before the Council in a future meeting. Because the water enterprise funding will replace a current capital lease buy financing structure the debt payment will simply replace the current lease payments and as such are already included in our current water rates. The General Fund project recommended above will have new debt payment revenue sources mainly from lease payments by future tenants.

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RECOMMENDATION

Staff recommends that the City Council give staff direction to proceed with the bonding process and bring back the formal documents at a future Council Meeting.


Scott G. Miller, Director of
Administrative Services/CFO

Approved By