



## Legislation Details (With Text)

<b>File #:</b>	19-1183	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	Consent	<b>Status:</b>		Agenda Ready	
<b>File created:</b>	12/24/2019	<b>In control:</b>		City Council Work Session	
<b>On agenda:</b>	1/13/2020	<b>Final action:</b>			
<b>Title:</b>	Parks and Recreation Bond Spending Plan Approval and Adoption of Capital Project Ordinance 2020-23 Appropriating Funding for the Tennis Center Project				
<b>Sponsors:</b>					
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	1. 010416 Special (Parks and Recreation Bond)doc, 2. PR Bond Funding Plan Update_1-7-20, 3. CPO 2020-23 (Tennis Center)				

Date	Ver.	Action By	Action	Result
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**TO:** Mayor and Members of City Council

**THRU:** Douglas J. Hewett, City Manager, ICMA-CM

**FROM:** Kristoff Bauer, Deputy City Manager, ICMA-CM

**DATE:** January 13, 2020

**RE:**  
**Parks and Recreation Bond Spending Plan Approval and Adoption of Capital Project Ordinance 2020-23 Appropriating Funding for the Tennis Center Project**

**COUNCIL DISTRICT(S):**  
All

### Relationship To Strategic Plan:

Goal 4: Desirable Place to Live, Work and Recreate

### Executive Summary:

As projects are completed, Council direction regarding the adjustments to the Park Bond Spending Plan is needed. This plan was last updated in November of 2018. After Council discussion during the Work Session of January 6, 2020, the following actions are proposed:

- Adoption of the revised Park Bond Spending Plan
- Adoption of Capital Project Ordinance (CPO) 2020-23 to fund the Tennis Center

### **Background:**

The initial financial plan was developed based on January 4, 2016, Council action to identify the projects to be funded by the Park Bond and allocate funding to each (minutes attached). The current plan includes adjustments to the timing of some projects based on Council direction including increasing funding for the senior centers and adjusting the timing and location for the sports field projects.

The current plan, approved by Council in November 2018, responded to an offer from Ft. Bragg to make property off of McArthur Rd. available to the City for the development of sports fields. Ft. Bragg proposed to provide the property through a no cost 50 year lease in subsequent conversations. Moving that project at that time from the Military Business Park (the location identified by Council prior to that meeting) to the McArthur Rd. location allowed funding that had been identified for property acquisition and site improvements to be reallocated to sport field improvements.

Other actions taken by Council in November 2018 included:

- Identifying Cliffdale & E.E. Miller Splash Pads as Future Unfunded
- Split the funding for the “TBD” Splash Pad among two new projects;
  - Stadium Play Space (installing a permanent play structure and other improvements in this area of the stadium)
  - Plaza Fountain (a water feature in the public plaza between the stadium, Prince Charles, and the new parking garage and mixed use building)
- Split the Sports Field Complex project into two projects with soccer going to the **Jordan Soccer Complex** and baseball going to the new **McArthur Rd.** location
- Reduce funding for the Cape Fear River Park to balance total expenditures at \$35 million
- Adjusted timing of projects

There have been a few key developments since the Council’s last action. The City was unable to develop an agreeable partnership with Methodist University to enhance the Jordan Soccer Complex. Discussions with the Department of Defense regarding the long-term lease of the property at McArthur Rd. have been slower than expected. The Senior Center West project has been delayed.

### **Work Session Discussion:**

The discussion focused on three issues described in the previous agenda memorandum and reflected in the proposed Spending Plan:

- Moving the Tennis Center Project to FY20 and FY21
- The inclusion of net bond premium revenues and interest into the funding plan
- The location and configuration of the sports field project(s)

The consensus of Council supported moving forward with the Tennis Center Project. The CPO to appropriate the necessary funding to initiate this project is attached for Council consideration.

The discussion regarding the inclusion of additional funding sources into the spending plan was less clear. While a slight majority of those present indicated a willingness to utilize these sources, some concerns were expressed. Further, staff had allocated these funding sources to the Cape Fear River Park project, but Council did not discuss whether this allocation was appropriate. That project is not scheduled to begin until FY23 and, as was clarified during the discussion, there is no urgency regarding the decision of whether to use these funds and if so for what purpose. Staff has revised the proposed spending plan to identify these funds as “Unallocated” in the “Other Sources” column of

the spending plan. This will support tracking of these resources to support future Council direction on their use whether that be to support projects or to pay off debt.

The Council did not reach consensus regarding the location for the sports field project. That ambiguity was already reflected in the proposed spending plan which does not identify a location for that facility. Staff will develop additional information regarding the two sites discussed; McArthur Rd. and Fields Rd., and provide that to the Council to support further discussion.

### **Issues/Analysis:**

**Project Timing:** If Council adopts CPO 2020-23 appropriating the funding for the Tennis Center, then staff will initiate the project by selecting and contracting with a design team. Consistent with state law, the City must use a Request For Qualifications (RFQ) based selection process to identify the best qualified team with which to negotiate a design contract. That process usually takes a minimum of 90 days. Once the design team is under contract, the project will move through the three phases of design: Schematic, Design Development (DD), and Construction Drawings (CD).

Key issues to be decided during the Schematic phase include:

- The preliminary site plan (this will determine if additional property should be acquired)
- Project scope (square footage of building, parking spaces, number of tennis courts, etc.)
- Initial project cost estimates.

The project will be put out to bid once full construction drawings have been completed. This is a standard Design Bid Build process. The design process will require nine to twelve months and construction from 18 to 24 months.

### **Sports Field Project:**

With the removal of the Jordan Soccer Complex from the project list, there is a need to adjust the approach to address the City's needs for additional sport fields. There has been significant discussion regarding where to locate this facility or these facilities should multiple locations be identified. Council's discussion during the Work Session focused on the McArthur Rd and Fields Rd locations. Council directed staff to perform more analysis on the Fields Rd. location to address several questions that have arisen. Council also requested further clarity regarding the process for working with the Dept. of Defense on the McArthur Rd. location.

There are certainly opportunities to get more detailed information regarding the Fields Rd. site and to analyze the opportunities and constraints of both sites. Doing so, however, will require both time and resources. The master plan that has been developed for the McArthur Rd. site, for example, cost over \$50,000 and took over nine months to complete beginning with the process of selecting a consultant. Staff will be compiling and updating, as much as possible, existing information on the sites and developing alternative paths forward for Council to consider.

### **Funding Sources:**

The Council discussed the use of interest and net bond premium as resources to cover project costs. The Council asked for more information regarding the use of net bond premium either as a resource for project costs or to repay debt: the two allowable uses.

*Pros:* The statutory limitation on issuing General Obligation (GO) debt is based on the face value (par value) of the bonds issued. So if the City issues \$10 million in bonds then only \$10 million of

your statutory authority is used even if \$12 million in revenue is received due to a bond premium. The positive is that an addition \$2 million is received to support project costs that doesn't count against the statutory limit and can address cost increases due to inflation, unforeseen factors, or scope changes.

**Cons:** The premium is generated by the market determining that the interest rate on the face of the bond exceeds the current "market" rate. Using the premium to retire a portion of the debt effectively reduces the interest cost from the face value down to the current market rate. The City would pay back less than face value of the bond with the identified interest rate. Using the premium for project costs requires the City to pay the full face value and interest rate to the bond holders thereby reducing the benefit from the market rate being lower than the interest rate stated on the face of the bond note.

Illustrative Example: If City sells \$10 million in bonds with a 5% interest rate, then it must pay back \$10 million plus 5%. If the market pays the City \$12 million for the bonds, then the City's obligation is still to pay back \$10 million plus 5%. The City can choose, however, to use the \$2 million premium to pay off \$2 million in bonds and then only have to pay back \$8 million at 5%. Spending the \$2 million premium would obligate the City to pay back the full \$10 million at the promised 5% interest rate.

The proposed spending plan basically defers this decision as the bond premium and accrued interest are identified an unallocated in that plan.

#### **Budget Impact:**

CPO 2020-23 appropriates \$6 million for the tennis center project. This is consistent with the previously approved spending plan. The funding is simply being appropriated six months earlier.

#### **Options:**

- Approve CPO 2020-23 and the proposed spending plan
- Provide alternate direction to staff

#### **Recommended Action:**

Staff Recommends that Council approve the attached Park Bond Funding Plan and adopt CPO 2020-23 appropriating \$6 million for the Tennis Center Project.

#### **Attachments:**

Minutes - Special Meeting January 4, 2016.  
Proposed revised Funding Plan  
McArthur Rd Master Plan Phasing