



Administrative Report

N.1., File # 24-1279

Meeting Date: 7/30/2024

To: MAYOR AND CITY COUNCIL

From: LUKE SMUDE, ASSISTANT TO THE CITY MANAGER

TITLE

DISCUSSION AND POSSIBLE ACTION RELATED TO THE ISSUANCE OF BONDS TO FINANCE THE RENOVATION OR REPLACEMENT OF CRITICAL PUBLIC INFRASTRUCTURE AND CONSIDER RESOLUTION AND ORDINANCE TO SUBMIT TO THE VOTERS AT THE STATEWIDE GENERAL ELECTION ON NOVEMBER 5, 2024.

ADOPT BY TITLE ONLY RESOLUTION NO. 2407-060, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH DETERMINING THAT THE PUBLIC INTEREST AND NECESSITY DEMAND THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION, REHABILITATION OR REPLACEMENT OF MUNICIPAL IMPROVEMENT PROJECTS CONSTITUTING PUBLIC INFRASTRUCTURE OF THE CITY, AND THEIR FINANCING THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS

INTRODUCE BY TITLE ONLY ORDINANCE NO. 3274-24, AN ORDINANCE OF THE CITY OF REDONDO BEACH ORDERING THE SUBMISSION OF A PROPOSITION INCURRING BONDED INDEBTEDNESS TO THE QUALIFIED VOTERS OF THE CITY OF REDONDO BEACH AT THE STATEWIDE GENERAL ELECTION TO BE HELD ON NOVEMBER 5, 2024, FOR THE PURPOSE OF FINANCING THE COSTS OF THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION, REHABILITATION OR REPLACEMENT OF CERTAIN MUNICIPAL IMPROVEMENT PROJECTS CONSTITUTING PUBLIC INFRASTRUCTURE OF THE CITY. FOR INTRODUCTION AND FIRST READING.

EXECUTIVE SUMMARY

Consistent with the direction provided by the City Council at its July 16, 2024 meeting, this report continues the necessary steps required to place a General Obligation (GO) Bond measure for the replacement of Fire Station #1, Fire Station #2, Police Headquarters, and the renovation of the Police Annex on the November 5, 2024, General Election ballot.

The process for approving and issuing GO bonds is governed by the California Constitution and California law. The first steps of that process require the City to adopt a Resolution of Necessity and introduce an ordinance approving and submitting to City voters the proposition incurring bonded indebtedness. If the City Council approves the two proposed documents, staff will return on August 6, 2024, for the second reading and adoption of the ordinance and the approval of a resolution placing the public safety infrastructure bond measure on the November 5, 2024 ballot.

BACKGROUND

The City retained the services of Fairbank, Maslin, Maullin, Metz & Associates (FM3) to conduct a voter opinion survey on a potential ballot measure to approve a GO Bond payable from ad valorem property taxes to fund the renovation or replacement of a number of City facilities, including Fire Stations, Police Headquarters and Police Annex, the Public Works Yard along with the possible inclusion of additional funding for the acquisition of open space in the City. The polling data was presented to Council on July 16 and showed community support for a bond that improved Fire and Police facilities only. Following discussion of the item, Council directed staff to engage the City's Bond Counsel and Municipal Advisor to prepare the required legal and financial documents to advance a GO Bond Measure totaling \$93,348,835 to replace Fire Station #1, Fire Station #2, Police Headquarters, and to renovate the Police Annex.

Facility	Amount
Fire Station #1 (Replace)	\$19,289,959
Fire Station #2 (Replace)	\$28,764,328
Police Headquarters (Replace)	\$32,362,000
Police Annex (Renovate)	\$12,932,548
TOTAL	\$93,348,835

This figure is based on data provided from the Facilities Cost Analysis completed by Griffin Structures, Inc. detailing the investment required to renovate or replace these facilities, along with additional contingency in line with reasonable best practices in engineering and construction. Following the meeting, the City's Municipal Advisor and Bond Counsel indicated the ballot should reflect a simplified number. As such, the total amount of the GO Bond presented to voters will be rounded-up to \$93,350,000.

The proposed GO Bond is payable from ad valorem property taxes and is a special tax measure that requires voter approval. If approved by voters, the expenditure of proceeds of the GO Bonds, when issued, would be restricted to capital costs associated with the replacement and renovation of the Fire and Police facilities. The revenue derived from the ad valorem property tax levy would be used solely to pay debt service on the GO Bonds.

The documents being presented to Council with this report include the following:

Resolution of Necessity

The Resolution of Necessity is required by California Government Code section 43607. In adopting this Resolution, the Council is finding and determining that the public interest or necessity demands the acquisition, construction, or completion of the proposed municipal improvements, and that the costs of the improvements will require an expenditure of the City greater than allowed by the City's current annual levy. Adoption of the Resolution of Necessity requires a two-thirds vote of all Council members (4 yes votes).

Ordinance

Government Code section 43608 requires adoption of an Ordinance that includes a description of the object and purpose of bonds, the estimated costs of the improvements, and the manner of holding the election. In addition, the Ordinance will be provided to voters as

part of the voter information guide. Adoption of the Ordinance requires a two-thirds vote of all Council members (4 yes votes).

Use of the GO Bond proceeds will be limited to capital costs for improvements associated with the replacement of Fire Station #1, Fire Station #2, Police Headquarters, and renovation of the Police Annex. In addition to construction costs, eligible costs include fees for design, engineering, architect and other professional services, inspections, site preparation, utilities, landscaping, construction management, planning and permitting, legal, accounting and similar costs; a customary construction contingency; demolition and disposal of existing structures; rental or construction of storage facilities and other space on an interim basis for materials and other equipment and furnishings displaced during construction (if needed); addressing unforeseen conditions revealed by construction or renovation, and other necessary improvements required to comply with existing building codes and other applicable law, including the Americans with Disabilities Act; costs of the bond election; bond issuance costs; project administration during the duration of such projects; and financing and interest costs on the bonds.

Under existing law, the measure will be approved only if 2/3 of the voters in the City voting on the proposition vote in favor of passage. However, Proposition 5 has qualified for the November 5, 2024, Statewide ballot. Proposition 5 would, among other things, change existing law related to the approval threshold for the issuance of GO bonds for public infrastructure. If voters approve Proposition 5 in the November 5, 2024 statewide election, Proposition 5 will apply to the City's GO Bond measure and approval of the Bonds for replacement and renovation of the fire and police facilities will require that 55% (not 2/3) of the voters in the City voting on the proposition vote in favor.

One of the specified accountability requirements from Proposition 5 is to have a citizens' oversight committee. Under current law, citizen oversight is not a requirement, however if Proposition 5 and the City measure pass, citizen oversight will be required and staff will work with Council to establish an oversight committee that meets the requirements of Proposition 5.

At this time, staff recommends Council approve both the Resolution of Necessity and the first reading of the Ordinance ordering submission of the GO Bond Measure to the voters. If approved, the Ordinance will be brought back for second reading on August 6 and, if adopted, take effect immediately. Staff would also present another resolution for Council consideration on August 6 that would properly consolidate the GO Bond Measure with the City's other November General Election matters.

COORDINATION

This item was coordinated with the City Clerk's Office, the City Attorney's Office, and the Financial Services Department

FISCAL IMPACT

There is no fiscal impact associated with this item. Future costs will be incurred to employ a Bond Underwriter, and to continue working with the City's Municipal Advisor and Bond Counsel to prepare the necessary documents to prepare the item for consideration as part of the November 5, 2024 to be called with the Statewide General Election.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

Reso - No. 2407-060 Resolution of Necessity

Ord - No. 3274-24 Ordering Submission of the GO Bond Measure to the Voters