

City of Piedmont
COUNCIL AGENDA REPORT

DATE: April 15, 2024

TO: Mayor and Council

FROM: Patricia Leicher, Chair of Bond Oversight Committee

SUBJECT: BOND OVERSIGHT COMMITTEE'S ANNUAL REPORT

BACKGROUND:

The formation of a Bond Oversight Committee ("Committee") was approved by the Piedmont City Council on October 4, 2021. Per Bond Measure UU (Ordinance 754 N.S.) and Ordinance 762 N.S., which was the formal authorization to issue bonds to fund the rebuilding of the Piedmont Community Pool, the formation of a Bond Oversight Committee was required. The Committee's focus is on reviewing and reporting on the expenditure of the proceeds of the bonds, specifically:

1. To inform the public how the City is expending the bond proceeds.
2. To review expenditure reports produced by the City to verify that bond proceeds were expended only for the purposes set forth in Measure UU.
3. To produce an annual report which includes the following information:
 - a. A statement indicating whether the bond proceeds used by the City have been expended only for the purposes set forth in Measure UU; and
 - b. A summary of the Committee's proceedings and activities for the preceding year.

While the Committee serves in an advisory role and is not responsible for managing or directing project activities, it will leverage the experience, expertise, and insight of its members to ensure the bond proceeds are spent in accordance with Measure UU and Ordinance 762 N.S. Meetings of the Bond Oversight Committee are open to the public and will serve to educate the community on how bond funds are being expended.

The members of the Bond Oversight Committee are:

- Patricia Leicher, Chair
- John Chiang
- Dirk ten Grotenhuis
- Margaret Hiller
- Al Lee

BOND OVERSIGHT COMMITTEE PROCEEDINGS AND ACTIVITIES

The Committee met three times during the past 12 months:

- September 21, 2023
- January 18, 2024
- March 14, 2024

The meetings were held in person. Members of the public were invited to attend and informed of the meeting dates and times. There were no members of the public present at any of the meetings.

For the meetings, Michael Szczech, City of Piedmont Finance Director, served as the liaison between the City and the Committee.

At each meeting, Director Szczech provided detailed summary reports showing the total Measure UU bond proceeds available, including other funding sources, comparisons to the total budget, expenditures to date, and remaining funds available, by category. There were also summaries of commitments to date with the various vendors and contract amounts, amendments, and revised maximums, including respective expenditures to date and remaining contract amounts. The vendors with contracts include:

- Wickman Construction – construction contract
- ELS Architecture & Urban Design – architecture and engineering design services
- Griffin Structures – project management
- Isaac Sports Group – community pool operational analysis
- Rincon Consultants Inc. – California Environmental Quality Act (CEQA) report
- Forensic Analytical – environmental health services
- Coastland Civil Engineering – construction inspection services

The total community pool budget is \$29,968,000 which is an increase of \$987,000 over last year's report.

Measure UU bond proceeds deposited were \$24,418,577, which is net of capitalized interest, costs of issuance, and underwriters' discount. The funding sources for the community pool budget is comprised of the following:

- Measure UU - \$24,938,577 (includes \$390,620 of estimated interest earnings on funds not yet expended)
- Contributions - \$2,737,464 (does not include \$464,000 pledged but not yet received)
- Loan/Grant - \$832,800 (includes \$80,000 committed but not yet received from CEDA)

- Facilities Capital Reserves - \$1,459,159 (Frontage and ROW improvements and contingency as needed)

Details were provided of the hard and soft costs, by category, and the respective funding sources. As of February 28, 2024, \$13,747,788 was spent using Measure UU funds, leaving a balance of \$11,190,789 in Measure UU funds (including estimated interest earnings). Interest earnings as of February 28, 2024 is \$390,620. Soft costs are limited to 20% of Measure UU funds and are budgeted at 16% which is within the limit.

At each meeting, a discussion of the construction progress to date was led by Daniel Gonzales, City of Piedmont Public Works Director. The project is currently approximately 58% complete. There have been delays as a result of unknown buried fuel tanks which had to be removed and contaminated soil offhauled, utility installation and rainy weather. Completion is now targeted for Winter 24/25.

Questions were posed by the Committee and answered at each meeting. A copy of the most recent presentation to the Committee, as of February 28, 2024 is attached as Exhibit A.

Following each meeting and presentation, the Committee was satisfied that the City is keeping complete records of expenditures and charging them to the proper funding accounts. The Committee's focus was specifically on the expenditure of Measure UU proceeds.

Committee members did not review invoices or check copies, nor verify that they were posted to the proper funding sources. Director Szczech facilitated a Zoom call among Committee members Pat Leicher and John Chiang, Erica Pastor, a Partner with MUN CPAs and Susan Beeter, the Senior Manager responsible for the City of Piedmont financial statements audit for the fiscal year ended June 30, 2023. Ms. Pastor considered the City's internal controls in establishing the scope of their testing, which included the random selection of various invoices and payments, including some from the pool project, and found no exceptions as to the propriety of the payments and concluded they were being charged to the appropriate accounts and funds. Beyond the sample transactions that were selected for testing, MUN CPAs did not specifically audit the transactions funded by the Measure UU bond proceeds, nor was that within the scope of their audit.

CONCLUSION FOR SECOND ANNUAL REPORT

The Committee is satisfied that the bond proceeds used by the City as of February 28, 2024 have been expended only for the purposes set forth in Measure UU.



Bond Oversight Committee February 2024 Update

		Amount
Total Proceeds		\$ 25,329,463.85
<u>Fund Deposits</u>		
Project Fund Deposit		\$ 24,418,576.55
Debt Service Fund - Capitalized Interest		712,291.67
		25,130,868.22
<u>Delivery Date Expenses</u>		
Cost of Issuance		\$ 146,950.00
Underwriter's Discount		51,645.63
		198,595.63

Community Pool Project – Current Status

- The project is approximately 58% complete.
- Building steel has been erected, building footings and pad are completed.
- The final buried fuel tank was removed and contaminated soil to be offhauled.
- Two major retaining walls completed.
- Utility installation on Magnolia has been completed.
- Commencement of masonry walls within the pool building.
- Construction will start to focus on the building structure, utilities, and pool deck in the Spring.

Commitments

- As of February 29, 2024 the City has made the following commitments with the Community Pool Project funds:

<u>Vendor</u>	<u>Contract Date</u>	<u>Description</u>		<u>Original Contract</u>	<u>Amendments</u>	<u>Revised Maximum</u>	<u>Spent thru 2/29/24</u>	<u>Remaining</u>
Forensic Analytical	March 2021	Environmental Health Services		\$ 9,475		\$ 9,475	\$ 9,475	\$ -
	June 2021	Environmental Health Services		\$ 4,845		\$ 4,845	\$ 4,845	\$ -
Griffin Structures	June 2021	Project Management	(A)	\$ 612,700	\$ 601,315	\$ 1,214,015	\$ 882,752	\$ 331,263
ELS Architecture & Urban Design	October 2021	Architecture and Engineering Design Services	(B)	\$ 2,475,554	\$ 75,140	\$ 2,475,554	\$ 2,248,413	\$ 227,141
Isaac Sports Group	December 2021	Community Pool Operational Analysis	(C)	\$ 35,000	\$ 1,990	\$ 36,990	\$ 36,990	\$ -
Rincon Consultants Inc.	December 2021	California Environmental Quality Act (CEQA) Report		\$ 16,956	\$ -	\$ 16,956	\$ 15,628	\$ 1,328
Wickman Construction	December 2022	Construction Contract	(D)	\$ 23,870,000	\$ 800,000	\$24,670,000	\$ 9,924,731	\$14,745,269
Coastland Civil Engineering	April 2023	Construction Inspection Services		\$ 259,250	\$ -	\$ 259,250	\$ 114,402	\$ 144,848
		Total		\$ 27,269,460	\$ 1,478,445	\$28,672,765	\$ 13,222,916	\$15,449,849
(A) Revised contract to include construction management and Geotechnical testing and inspection.								
(B) Amendment to include Frontage and Right of Way Improvements - to be paid out of the Facilities Capital Fund.								
(C) Revised contract to include travel costs for consultant to present analysis at City Council meeting in person.								
(D) Contingency increased by \$800,000.								

PROJECT FUND HISTORY

Fund:	116							
Name:	AQUATICS PROJECT FUND							
Account #	Description	FY 20-21	FY 21-22	FY 22-23	FY 23-24	TOTAL	Major Vendors	
Revenue								
116-0320-003-000	BOND PROCEEDS	-	24,418,577	-	-	24,418,577		
116-0305-001-001	INTEREST	-	80,908	180,222	129,490	390,620		
	TOTAL REVENUE	\$ -	\$ 24,499,485	\$ 180,222	\$ 129,490	\$ 24,809,197		
Expenses								
116-0417-010-002	PART-TIME SALARIES	17,493	41,338	1,104	-	59,935		
116-0417-013-005	MEDICARE	254	599	16	-	869		
116-0417-013-009	FICA	1,085	2,563	68	-	3,716		
	TOTAL PAYROLL	18,831	44,500	1,188	-	64,519	Project Manager - Benoit	
116-0433-117-000	PROJECT MANAGEMENT: DESIGN	14,320	1,415,117	598,767	174,698	2,202,902	ELS	
116-0433-117-001	PROJECT MANAGEMENT	48,242	129,549	422,281	43,436	643,508	Griffin Structures	
116-0433-117-002	CONSTRUCTION COSTS	-	-	3,649,154	6,521,107	10,170,261	Wickman Contruction	
116-0433-117-003	CONSTRUCTION MANAGEMENT	-	-	10,309	361,281	371,590	Griffin Structures	
116-0433-117-004	ENVIRONMENTAL	-	32,708	15,489	3,582	51,779	Rincon	
116-0433-117-008	PLAN CHECK\PERMIT\INSPECT	-		75,295	114,202	189,497	Coastland Engineering	
116-0433-117-005	OTHER	-	14,000	27,954	11,778	53,732	Isaac Sports Group \ Other	
	TOTAL OPERATING	62,562	1,591,374	4,799,249	7,230,084	13,683,269		
	TOTAL EXPENSES	\$ 81,393	\$ 1,635,874	\$ 4,800,437	\$ 7,230,084	\$ 13,747,788		

Funding Sources

- Measure UU > \$24.4 m bond proceeds + \$520,000 interest.
- Contributions > Only contributions received are included in funding sources:

	<u>Received</u>	<u>Pledged</u>
PRFO	\$ 1,912,464	\$ 250,000
PBF	\$ 25,000	\$ 214,000
Kroger Estate	\$ 800,000	\$ -
Total	\$ 2,737,464	\$ 464,000

- Loan/Grant > Received \$750,000 EBCE (AVA Energy) loan at 0% interest with 15 year payback. \$82,800 grant from CEDA;
- Facilities Capital > Will fund Frontage and ROW improvements and contingency as needed.

	FUNDING SOURCE				
COMMUNITY POOL BUDGET	Measure UU	Contributions	Loan\Grant	Fac. Capital	Total
CONSTRUCTION & OTHER HARD COSTS	\$ 18,833,777	\$ 2,587,464	\$ 823,770	\$ 362,019	\$ 22,607,030
CONTINGENCY	\$ 2,135,000	\$ -	\$ -	\$ 835,000	\$ 2,970,000
SUB-TOTAL > HARD COSTS	\$ 20,968,777	\$ 2,587,464	\$ 823,770	\$ 1,197,019	\$ 25,577,030
PROJ MGMT, A&E, OTHER SOFT COSTS	\$ 3,464,645	\$ 150,000	\$ 9,030	\$ 62,140	\$ 3,685,815
CONTINGENCY	\$ 505,155	\$ -	\$ -	\$ 200,000	\$ 705,155
SUB-TOTAL > SOFT COSTS	\$ 3,969,800	\$ 150,000	\$ 9,030	\$ 262,140	\$ 4,390,970
TOTAL PROJECT BUDGET	\$ 24,938,577	\$ 2,737,464	\$ 832,800	\$ 1,459,159	\$ 29,968,000
ACTUAL EXPENDITURES THROUGH DECEMBER 31, 2023					
CONSTRUCTION & OTHER HARD COSTS	\$ 10,731,348	\$ 144,664	\$ 400,713	\$ 44,671	\$ 11,321,396
CONTINGENCY	\$ -	\$ -	\$ -	\$ -	\$ -
SUB-TOTAL > HARD COSTS	\$ 10,731,348	\$ 144,664	\$ 400,713	\$ 44,671	\$ 11,321,396
PROJ MGMT, A&E, OTHER SOFT COSTS	\$ 3,016,440	\$ -	\$ 4,830	\$ 72,562	\$ 3,093,832
CONTINGENCY	\$ -	\$ -	\$ -	\$ -	\$ -
SUB-TOTAL > SOFT COSTS	\$ 3,016,440	\$ -	\$ 4,830	\$ 72,562	\$ 3,093,832
% OF TOTAL	(A) 22%				
TOTAL PROJECT BUDGET	\$ 13,747,788	\$ 144,664	\$ 405,543	\$ 117,233	\$ 14,415,228
UNSPENT / (OVER BUDGET)					
CONSTRUCTION & OTHER HARD COSTS	\$ 8,102,429	\$ 2,442,800	\$ 423,057	\$ 317,348	\$ 11,285,634
CONTINGENCY	\$ 2,135,000	\$ -	\$ -	\$ 835,000	\$ 2,970,000
SUB-TOTAL > HARD COSTS	\$ 10,237,429	\$ 2,442,800	\$ 423,057	\$ 1,152,348	\$ 14,255,634
PROJ MGMT, A&E, OTHER SOFT COSTS	\$ 448,205	\$ 150,000	\$ 4,200	\$ (10,422)	\$ 591,983
CONTINGENCY	\$ 505,155	\$ -	\$ -	\$ 200,000	\$ 705,155
SUB-TOTAL > SOFT COSTS	\$ 953,360	\$ 150,000	\$ 4,200	\$ 189,578	\$ 1,297,138
% OF TOTAL					
TOTAL PROJECT BUDGET REMAINING	\$ 11,190,789	\$ 2,592,800	\$ 427,257	\$ 1,341,926	\$ 15,552,772

Community Pool Project – Contingency Analysis 2/29/24

	CONTINGENCY		
	Construction	Other	Total
INCLUDED IN ORIGINAL BUDGET	\$ 2,170,000	\$ 505,155	\$ 2,675,155
Additional approved by City Council - 12/18/23	800,000	200,000	1,000,000
TOTAL CONTINGENCY	\$ 2,970,000	\$ 705,155	\$ 3,675,155
Change Orders \ Other	\$ (2,030,002)	\$ (339,253)	\$ (2,369,255)
Remaining Contingency	\$ 939,998	\$ 365,902	\$ 1,305,900
% Remaining	32%	52%	36%

- Construction Contingency – Utilities trench and removal of oil tanks and contaminated soil.
- Other Contingency – Primarily Inspection fees and additional design & engineering costs not specified in original budget.

Fund Recap

	MEASURE UU
	FUND
	<u>ACTIVITY</u>
Balance @ 6/30/2020	\$ -
Revenues	24,809,197
Expenditures	(13,747,788)
Balance @ 2/29/2024	11,061,409

QUESTIONS ?