



REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: May 20, 2008

SUBJECT: Opera House Update

Report in Brief

On May 13, 2008, staff provided the City Council with an updated 12-year Measure E (MSE) spending plan as part of the Council's consideration of the FY09 budget. The revised spending plan reduced the Opera House budget by approximately \$540,000 to \$2.46 million for the Opera House Expansion Project as part of an overall reduction of approximately \$6.6 million of projected income for Measure E. The Council was advised during this meeting that this lower budget renders the currently proposed project to remodel the Opera House as infeasible. Members of the Opera House Board of Directors informed the Council that the organization is ready to proceed with the project if the funding level is increased and the City provides a guarantee for a construction loan based on MSE revenues. The Council directed staff to work with the Opera House on their budgetary needs and return to Council on May 20, 2008. Staff has discussed and reviewed the project with the Opera Board Executive Director and the project engineers (Ponticello Enterprises) and has prepared a recommendation.

Staff recommends that the City Council increase the MSE allocation for the Opera House to \$2.8 million and delegate authority to the City Manager to review, approve and sign bank documentation as guarantor of the respective loan in order to facilitate the currently proposed project.

Background

In 2006, the voters of Woodland approved Measure E (MSE) and a companion advisory measure endorsing improvements/expansion of the Woodland Opera House. The City Council has taken various actions toward project implementation:

- February 2007, Council approved MSE 12-year Spending and Implementation Plan which outlined principles on revenue allocation, distribution of funds, project timing and execution. This plan included a \$3 million allocation to the Opera House Expansion Project.
- April 2007, Council authorized Memorandum of Agreement with the Opera House on use and expenditure of MSE funds.

- September 2007, Council authorized the Parks and Recreation and Finance Directors to review and approve disbursement of MSE funds for the Opera House Expansion.
- December 4, 2007, Council was provided an update on the general economy and the impacts on MSE. Council directed staff to update the 12-year MSE spending plan for revised revenue projections.
- May 13, 2008, staff provided Council with an updated 12-year spending plan. This updated plan reflects a reduced budget of \$540,000 for the Opera House Expansion (from \$3 million to \$2.46 million) as part of an overall reduction of approximately \$6.6 million of estimated income for MSE. The Council was advised that the lower budget would render the currently proposed project infeasible and \$2.8 million was referenced in the staff report as the minimum amount needed for the project. After much discussion, Council directed staff to review the Opera Board's request for additional funds, and return to Council on May 20, 2008 for consideration and action.

The Opera House is ready to award contract on the first phase of the expansion project (i.e. restroom improvement and ADA upgrades at an approximate cost of \$300,000) and needs to proceed quickly to coordinate time conflicts on construction and operations. In addition, Council discussion during the May 13 meeting reflected the fact that the remaining phases of the Opera House project are ready for implementation, the project was referenced in one of the three advisory measures approved by the voters in 2006 and the improvements would have a favorable impact on the downtown area. In order to provide the additional allocation to the Opera House, the Council discussed revising the allocation for other MSE projects with specific mention of the City Hall project as one that will likely not be ready for many years. Given the extended time frame for the City Hall project, alternative funding sources to make up the shortfall could be explored.

The Opera Board has met with bank officials and is in the process of applying for a loan; the bank has stated that loan approval would require a City guarantee.

Discussion

The Opera Board is ready to proceed with its expansion project. As expressed on May 13 and stated previously herein, the Board believes that a reduced budget to \$2.46 million renders the project infeasible.

Staff met with the Opera Board Executive Director and the project engineers (Ponticello Enterprises) to discuss the project scope and budget. While the Board has received preliminary design estimates, they have not received construction bids. The Opera House representatives believe that the financed project costs will not exceed \$3 million, the amount that was allocated in the MSE spending plan approved by the Council in February 2007. However, staff believes that the Council's direction as expressed on May 13 is consistent with the revised amount of \$2.8 million referenced in the staff report. This amount would restore \$340,000 to the Opera House project budget or 63% of the original allocation. In addition, staff believes that the Council is interested in monitoring the project

based on estimated and actual costs so that if the entire \$2.8 million is not needed the balance will be retained by the City.

Staff also believes that the Council is interested in facilitating the Opera House Project. With this direction on mind, the City Manager could, if authorized by Council, review, approve and sign bank documentation as guarantor of the respective loan subject to the conditions described herein. If such authority is not consistent with the Council's direction, staff will work with the Opera House on the loan guarantee documents and return to the Council at a future date for approval.

Fiscal Impact

This action has no net change on the updated 12-year MSE spending plan. The \$340,000 allocation described herein would be transferred from the City Hall project to the Opera House Expansion Project. Alternative funding options will be explored for the City Hall project.

Public Contact

A copy of the agenda and report was provided to the Opera House Executive Director. The City Council agenda was posted.

Alternative Courses of Action

1. Increase the MSE allocation for the Opera House to \$2.8 million and delegate authority to the City Manager to review, approve and sign bank documentation as guarantor of the respective loan in order to facilitate the currently proposed project.
2. Increase the MSE allocation for the Opera House to \$2.8 million and direct staff to return to the City Council for consideration of the bank documentation as guarantor of the respective loan.
3. Increase the MSE allocation for the Opera House to \$3 million and direct staff to return to the City Council for consideration of the bank documentation as guarantor of the respective loan.
4. Maintain the MSE allocation at \$2.46 million and support the Opera House Board's strategies to raise the funds necessary to make up the difference.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

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