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DEPARTMENT OF
ADMINISTRATIVE SERVICES
BUDGET AND POLICY REVIEW

CITY OF SACRAMENTO
CALIFORNIA

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APPROVED
BY THE CITY COUNCIL

FEB 17 1998

OFFICE OF THE
CITY CLERK

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February 6, 1998

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Back on Federal Courthouse Project

LOCATION AND COUNCIL DISTRICT: District 1

RECOMMENDATION:

This report recommends that the City Council 1) amend the 1997-1998 Capital Improvement Budget by approving the transfer of \$220,000 from unprogrammed interest income in the Gas Tax Bond Fund; and 2) amend the 1997-1998 Capital Improvement Budget by approving the transfer of \$561,000 from the General Fund Administrative Contingency and 3) approve an augmentation in the amount of \$781,000 to Capital Improvement Project TK70 - Federal Courthouse in order to support toxic remediation and street improvement costs.

CONTACT PERSON: Debra Nyland, Senior Management Analyst

FOR COUNCIL MEETING OF: February 17, 1998

SUMMARY:

Per the agreement with the Federal Government, the City is responsible for all toxic remediation and environmental oversight as well as certain infrastructure improvements at the Federal Courthouse site. In order to complete the City's legal and environmental obligations to this project, a budget augmentation in the amount of \$781,000 is needed to provide funding. It is recommended the street improvements be funded from unprogrammed interest income in the Gas Tax Bond Fund and the environmental obligations from the General Fund Contingency.

COMMITTEE/COMMISSION ACTION: No

BACKGROUND:

On December 2, 1997, the City Council received the Comprehensive Annual Financial Report (CAFR) reflecting the financial status of the City at the close out of the 1996-97 fiscal year. One element of the CAFR looked at various capital projects including the Federal Courthouse.

Concurrently staff brought forward to the Council a status report on the Federal Courthouse project. Key elements in the report were as follows:

Environmental - Under the terms of the land sale from the City to the Federal Government, the City is responsible for environmental oversight and toxic remediation. The site formally housed a City fueling station. In addition Stoddard solvent contaminated soil was discovered on the site. The magnitude of the toxic remediation and oversight was unanticipated and unbudgeted and the oversight is still occurring.

Project Site Improvements - Under the terms of the land sale, the City is also legally responsible for the completion of certain site improvements. The vast majority of the site improvements have been completed using a combination of land sale proceeds and ISTEA funds. A minor amount of work involving the installation of curbs and gutters remains incomplete and unfunded.

Overall Federal Courthouse Status - The December 2, 1997 report requested Council approve the transfer of \$781,000 from the General Fund Administrative contingency to complete the City's obligation on the Federal Courthouse project. The majority of this request (\$561,000) was for toxic remediation and oversight with the balance (\$220,000) for the site improvements.

At Councils' request, staff attempted to identify alternative funding sources for both project components. This report responds to that request.

FINANCIAL CONSIDERATIONS:

As part of the City's Federal Courthouse project site preparation, a Capital Improvement Project was established for the Federal Courthouse Site (TK70). \$4.2 million has been spent to date by the City. The Federal Government's expenditures for this project are estimated in excess of \$165 million. \$781,000 of the City's project responsibilities remain unfunded. This total is comprised of environmental remediation and oversight costs (\$561,000) and site improvements (\$220,000).

Environmental Costs

Most project related funding sources have constraints which prohibit their use for environmental purposes. Specifically:

- Because the soil contamination is not located in the right of way, it is not eligible for transportation funds.
- The proceeds from the sale of the site to the Federal Government are strictly prohibited from being used on environmental clean up per the terms of the sales agreement.
- Downtown Tax Increment funds have previously been allocated for housing, the Convention Center Hotel and waterfront improvements.

Given that there is currently no other source of funds available for toxic remediation and oversight costs on this project, this report requests this project component be funded by General Fund Contingency.

Site Improvement Costs

Upon further investigation, there is a "traditional" source of funding which could be used for the unfunded \$220,000 in site improvement costs as follows:

- There is unprogrammed interest income of \$400,000 in the gas tax bond fund. These funds exist because the interest was in excess of our expectations due to a better return on our borrowing.

Because these funds are unprogrammed, there would be no current program impact. Its use would reduce the flexibility for funding other project shortfalls and new projects. It was anticipated that these funds would have been programmed for those purposes in the 1998-99 CIP.

Staff recommends the Federal Courthouse site improvements be funded using this source. No currently funded projects would be impacted. While funds for future shortfalls would be reduced, the Federal Courthouse site improvements present an immediate and legally required need for gap funds.

ENVIRONMENTAL CONSIDERATIONS:

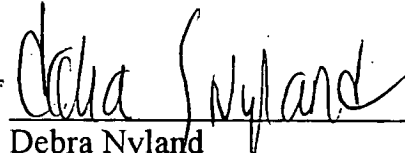
Development of a Brownfields site as well as third party environmental oversight as required by the State can be extremely costly. However all requirements are being met under the oversight of the City's Toxic Program Coordinator and this particular item has no environmental impact.

POLICY CONSIDERATIONS:

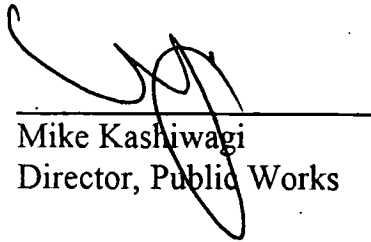
Development of the Federal Courthouse is consistent with the City's Economic Development Agenda and the Richard's Railyard Plan. No new policies will result from this report.

MBE/WBE: Not applicable to this report.

Respectfully submitted,



Debra Nyland
Senior Management Analyst



Mike Kashiwagi
Director, Public Works

RECOMMENDATION APPROVED:



WILLIAM H. EDGAR
CITY MANAGER

APPROVED
BY THE CITY COUNCIL

FEB 17 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-056

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AMENDING THE 1997/1998 CAPITAL IMPROVEMENT PROJECT
BUDGET FOR THE FEDERAL COURTHOUSE PROJECT (TK70)**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

- 1) To amend the 1997-1998 Capital Improvement budget by \$781,000;
- 2) To approve an augmentation in the amount of \$781,000 to the Capital Improvement Project TK70 - Federal Courthouse as follows:

(101-710-7012-4999)	(\$561,000)
101-500-TK70-4802	\$561,000
(709-710-7012-4999)	(\$220,000)
709-500-TK70-4802	\$220,000

MAYOR

ATTEST:

CITY CLERK

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RESOLUTION NO.: _____

DATE ADOPTED: _____ **5**