



CITY OF CANNON BEACH

AGENDA

Meeting: City Council Work Session
Date: Tuesday, January 9, 2024
Time: 6:00 p.m.
Location: Council Chambers, City Hall

CALL TO ORDER AND APPROVAL OF AGENDA

PUBLIC COMMENT

The Presiding Officer will call for statements from citizens regarding issues relating to the City. The Presiding Officer may limit the time permitted for presentations and may request that a spokesperson be selected for a group of persons wishing to speak.

DISCUSSIONS

- (1) **Regarding Issues Discussed at the November 28th Project Meeting**
- (2) **Good of the Order**

ADJOURNMENT

To join from your computer, tablet or smartphone

Join Zoom Meeting

<https://zoom.us/j/99261084699?pwd=TkpjbGcxS0pCOGlMOctSbSsxVWFMZz09>

Meeting ID: 992 6108 4699

Password: 365593

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Phone: 1.669.900.6833

Meeting ID: 992 6108 4699

Password: 365593

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Public Comment: If you wish to provide public comment via Zoom for this meeting please use the raise your hand Zoom feature. Except for a public hearing agenda item, all Public to be Heard comments will be taken at the beginning of the meeting for both Agenda and Non-Agenda items. If you are requesting to speak during a public hearing agenda item, please indicate the specific agenda item number as your comments will be considered during the public hearing portion of the meeting when the public hearing item is considered by the Council. All written comments received by 3:00 pm the day before the meeting will be distributed to the City Council and the appropriate staff prior to the start of the meeting. These written comments will be included in the record copy of the meeting. Written comments received at the deadline will be forwarded to Council and included in the record, but may not be read prior to the meeting or appear on the city's website.

Please note that agenda items may not be considered in the exact order listed. For questions about the agenda, please contact the City of Cannon Beach at (503) 436.8052. The meeting is accessible to the disabled. If you need special accommodations to attend or participate in the meeting per the Americans with Disabilities Act (ADA), please contact the City Manager at (503) 436.8050. TTY (503) 436-8097. This information can be made in alternative format as needed for persons with disabilities.

Posted: 2024.01.03



CANNON BEACH CITY COUNCIL

STAFF REPORT

REGARDING ISSUES DISCUSSED AT THE NOVEMBER 28TH PROJECT MEETING

Agenda Date: January 9, 2024

Prepared by: Bruce St. Denis, City Manager

BACKGROUND

Many city projects have been delayed for years for various reasons, but the need has not gone away. And over time the costs of those projects have steadily increased. I understand that the City Hall/Police Station project was estimated at \$4 million over 10 years ago. In 2019 the cost was projected to \$16.9 million. In 2023 the same project is being budgeted at \$25 million.

Same project, just the project budget increased due to issues that are caused by deferrals.

- The previous and current City Councils have taken on the difficult task of completing these necessary projects with the added guidance to staff to avoid placing the costs of them on the backs of taxpayers to the degree possible. With the current funding scenario the costs will primarily be borne by tourists. Regardless of what people are saying the costs are not being placed on tourism-related businesses.
- The businesses will just collect and pass on the Tourism Lodging Tax (TLT) increase and Prepared Food Tax (PFT) on a quarterly basis to the city to pay the project bills. It is not a tax on their businesses.
- In fact, they are allowed to keep 5% of the total revenues they collect each year.

At the November 28th special meeting of the City Council many suggestions and comments were made regarding the projects, their costs and strategies to soften the various impacts. After the meeting each Council Member provided their notes of the comments they heard. The mayor then summarized the topics that came up the most frequently and asked staff address them in advance of the January 9th meeting so folks would have a chance to consider how many of the comments have been and/or are being addressed.

Many had previously been considered/discussed by the council as part of their earlier deliberations regarding these projects. Staff also utilized historical and financial information that had previously been considered by the council.

ANALYSIS/INFORMATION

How will the construction costs of the projects be funded?

The City Hall and Police Department projects are funded from several sources

- The Prepared Food Tax (PFT) was put in place to collect revenue from tourists to pay for the needed City Hall and Police Station so the project would not be a financial burden on residents. (The PFT funds will not come from food service businesses who are required to collect the PFT and pass it on to the city. In fact, they are allowed to keep 5% of the total revenues they collect each year.)
- The current bond rates for debt service (mortgage payment) on the projects are less than what was originally projected prior to the PFT and TLT increases were put in place. This means that the city is still in a good position to fully fund the debt service for the Cannon Beach Elementary School, City Hall and Police Station without shifting the burden to residents.
- The increase in TLT to fund the CBE project also generates approximately \$310,000 in unrestricted funds that partially fund the City Hall and Police Station debt service.
- It was always anticipated that the City Hall and Police Station debt service might still require approximately \$300,000 annually from the RV Park revenues for debt service but the downward trend in declining interest rates could minimize or negate this requirement.
- No property taxes are included in projections for funding the City Hall and Police Station projects.
- To date \$728,480 has been spent on the City Hall and Police Station projects. These costs are itemized in an attachment to this staff report.

Specifics on funding the Cannon Beach Elementary project

- **Tourism Lodging Tax (TLT)**
 - An increase in the Tourism Lodging Tax: The TLT was increased from 8% to 9.5% to provide funding for the Cannon Beach Elementary Rejuvenation project. Based on this change Cannon Beach is now in the middle of what other similar communities are charging for lodging tax. The TLT increase allows the city to move forward with paying the debt service (mortgage) on the project without property taxes from residents. The increase will also provide approximately \$500,000 in TLT funds set aside annually to pay for the CBE operations.

- Tourism Lodging Taxes from Clatsop County: In the past few years the County raised a Tourist Lodging Tax to help pay for operations at their new jail. They made the decision to return the 70% of the TLT restricted to tourism to the cities in which it was generated. In the case of Cannon Beach that amount is about \$480,000 per year and has historically grown each year.
- The increase in TLT also generates approximately \$310,000 in unrestricted funds that partially fund the City Hall and Police Station debt service.
- No property taxes are included in projections for funding the Cannon Beach Elementary School Rejuvenation project.
- To date \$1,164,156 has been spent on the CBE project. There is \$3,744,555 remaining from the original bond issue. Details are included in an attachment to this document.

Other funds potentially available for funding CBE construction and operations.

- Reallocating Tourism and Arts Commission (TAC) funding – The nature of the funding requests and projects funded by the Tourism and Arts Commission (TAC) have changed over time. For years, the emphasis was to use the funds to promote the city (the product) as a destination for tourists. More recently there has been a philosophical shift to using the funds to also improve the product (the city). It is possible that the significant funding currently being set aside for tourism promotion could be repurposed for destination improvements like the CBE project, operations and/or things like parks and trails. The Tourism and Arts Fund (TAF) currently has a balance of over \$1 million dollars. The potential impact of this funding source has not yet been determined.

How will CBE operations be funded?

- We understand from other similar projects and organizations that many of their operational costs are covered by grants. For that reason it is important that grant writing be a skill that is considered in making decisions about management.
- The intention is for operating expenses to be covered with extra funds from the recent TLT increase. Will be consistently re-evaluated once the facility is operational. At this point in time there is approximately \$500,000 in TLT funds set aside to pay for the CBE operations.
- Even with the use of the TLT funds for the project, there are still TLT funds potentially available for other uses, such as restrooms, trails, or other amenities. The City Council and Tourism and Arts Commission (TAC) are both discussing alternative uses for these funds.

Please note that the Tourism and Lodging Tax TLT funds are heavily regulated and absolutely not available to fund issues like housing. They can only be used for tourism promotion and/or construction and operations of tourism related facilities.

The project is only for tourists.

Virtually every activity at the rejuvenated Cannon Beach Elementary School site will accommodate both resident and tourist interests. Both will be able to walk the grounds to learn about native plants, walk through the building and learn about the Clatsop Nehalem tribe that lived in and with Cannon Beach for thousands of years before the rest of us, attend meetings or classes in the classrooms, watch ducks and pelicans on the creek, attend a concert or gathering or exercise with friends in the gym.

These, and other similar activities and more will be available to residents during the season or off season.

The Cannon Beach Elementary School Project came in over budget and the city did not give consideration for reducing the project scope.

After the CBE project came in at approximately \$12 million a well-advertised and open public meeting was held on May 30th, 2023 to hear a presentation by the Construction Managers/General Contractor (Bremick Construction) who presented four separate comparative costs that provided 3 revised project scopes as well as the \$12 million option that included order of magnitude costs for each.

A surprise was that the much discussed \$4 million option quoted from 2018 had risen to over \$7 million.

The following is a copy of the order of magnitude cost of options comparisons considered at the meeting.



CANNON BEACH ELEMENTARY REJUVENATION PROJECT

Value Engineering Comparison		
1 - 2020 ZCS Level 4 Package (ADA Upgrades, Seismic Upgrades, Abatement*, Roof Replacement*, Interior Finish Upgrade)		\$7,016,490
	Construction:	\$5,397,300
	Soft Costs (Design, Permitting, Contingency):	\$1,619,190
2 - Base Package without Heritage Package (ADA Upgrades, Seismic Upgrades, Utility Upgrades, Interior Finish Upgrades)		\$6,361,182
	Construction:	\$4,893,217
	Soft Costs (Design, Permitting, Contingency):	\$1,467,965
3 - Heritage Building Package (Base Package with heritage building addition, no kitchen, no heritage site upgrades)		\$9,926,028
	Construction:	\$7,635,406
	Soft Costs (Design, Permitting, Contingency):	\$2,290,622
4 - Schematic Design Community & Heritage Package (All designed community and heritage components included)		\$11,936,479
	Construction:	\$9,181,907
	Soft Costs (Design, Permitting, Contingency):	\$2,754,572

(Pricing does not include inflation. Add .5% per month until GMP signed.)

*Abatement and Classroom Roof Replacement has been completed for \$750,000

The council considered each option and decided that the “essence of what was trying to be achieved” was not realized in the project unless all the elements were included in the project scope.

There are no plans to accommodate the food pantry in the project.

- The council, tribe and staff all consider the Cannon Beach Elementary School location to be the best location for the food pantry.
- The issue is that the current building is in poor condition and how can it be replaced.
- One idea is that we buy a similar modular building (the food pantry is located in an old portable purchased by the school board) to house staff while the City Hall and Police Station projects are underway then relocate the structure to be the new food pantry.

Some folks are saying “just delay the project until cost/interest rates go down. Consider the following:

- In 2019 the City Hall/Police Station projects were estimated to cost \$16,900,000. Four years later the same structures are anticipated to be \$25,000,000 when they are completed. That should provide an idea of the cost of delaying the projects.
- If there are any doubts about the veracity of this statement consider the following:

Our construction Manager/General Contractors anticipates monthly cost increases for delays as follows

- Delays to the schedule add approximately \$100,000 per month for CH/PD
 - Delays to the schedule add approximately \$50,000 per month for CBE
 - These costs will be caused by the impact of compounding cost of delays and will not show up until the end of the project.
- It makes sense that every effort should be made to avoid and not intentionally incorporate delays into the schedule.

RECOMMENDATION

The council continues the discussion started at the November 28th regarding the City Hall, Police Station, and Cannon Beach Elementary Rejuvenation projects.


List of Attachments

1. Summary of costs of the City Hall and Police Station projects
2. Summary of the costs of the Cannon Beach Elementary School Rejuvenation

City Hall/Police Department
General Fund
Expenditures

Fiscal Year Ending	2019	2020	2021	2022	2023	2024	2025	Total
Expenditures								
								-
								-
								-
Seasons Café	107							107
City Hall Study-SRG	65,454	8,642			600			74,696
DA Davidson		4,204						4,204
Daily Journal of Commerce				403	414			817
Design-CIDA					172,281	293,002		465,283
City of Cannon Beach						750		750
Ticor Title						700		700
CM/GC-Emerick					10,600	26,780		37,380
Red Plains Professional					8,114	50,925		59,039
Treescaping NW						300		300
Kelsay Environmental						2,200		2,200
GeoTech					490	82,310		82,800
First National Bank					204			204
Total Expenditures	65,561	12,846	-	403	192,703	456,967	-	728,480
						As of December 31, 2023		

**Cannon Beach Elementary
Capital Project Fund
Cash Flow Analysis
fye 2024**

	2022	2023	2024	2025	Total
Inflows:					
Beginning Cash Balance	-	4,267,311	3,841,392		-
Bond Proceeds-March 31, 2022	4,692,448				4,692,448
					-
Interest Income	8,907	126,498	80,858		216,263
					-
Total Inflows	4,701,355	4,393,809	3,922,250	-	4,908,711
Outflows:					
Materials and Services					
Costs of Bond Issuance	91,948				91,948
					-
					-
					-
					-
Capital Outlay					
Reimbursed Costs	277,862				277,862
Cida	31,651	289,386	140,956		461,993
ZCS	32,583	2,790			35,373
Bridge Tower OpCo		471			471
City of Cannon Beach		2,670	3,100		5,770
O'Brien & Company		211,619			211,619
Red Plains Professional		21,850			21,850
Bremick		6,231	20,876		27,107
Clatsop-Nehalem Confederated Tribes		17,400	2,650		20,050
EO Media			192		192
GeoTech			9,600		9,600
First National Bank			321		321
Total Outflows	434,044	552,417	177,695	-	1,164,156
Ending Cash Balance	4,267,311	3,841,392	3,744,555	-	3,744,555
Net Proceeds after Bond Issuance Costs	4,600,500		As of December 30, 2023		 agrees with GL