

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 05/11/22 **Approx. Start Time:** 11 a.m. **Approx. Length:** 30 minutes

Presentation Title: Gladstone Library Construction

Department: Business and Community Services

Presenters: Cindy Becker

Other Invitees: Jeff Munns, Sarah Eckman, Mitzi Olsen, Jason Varga

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

This policy session is a follow-up from the November 2021 policy session during which the Board approved proceeding with the library with a \$7 million budget. We request direction from the Board regarding next steps in the construction of the Gladstone Library in light of significant cost increases.

EXECUTIVE SUMMARY:

Since November 2021, two major funding issues have arisen: 1) questions about repayment of a revenue bond using library operating funds and 2) construction cost increases (Attachment A).

- 1. Revenue Bond Repayment (\$2.1 million) --** The initial funding package included a revenue bond that would be repaid by County General Funds (\$3.9 million) and Library District operating funds (\$2.1 million). However, the Library Master Order and Master IGA approved several years ago restrict the use of Library District funds to operations only. In light of this, Stakeholders raised significant concerns regarding the inclusion of these funds for construction for the Gladstone and Oak Lodge libraries.
- 2. Construction Costs (\$2.4 million) --** The construction industry remains extremely volatile. Public bid, construction manager/general contractor (CMGC) design-build projects in the first quarter of 2022 routinely came in approximately 30% over estimated budgets, with some even coming in 100% over budget. The main causes of this volatility include:
 - Prices of construction materials jumped more than 20% from January 2021 to January 2022, according to an analysis by the Associated General Contractors of America.
 - Material shortages that were projected to be resolved the second quarter of 2022 are now forecasted to continue.
 - Labor shortages and labor cost increases continue both in management and in the field. Labor rates have increased approximately 9% for carpenter/drywall/framing unions and others.
 - Material costs are rising because of the limited availability of materials and resources.
 - These material and labor challenges have resulted in extended construction schedules. A project that used to take 9-10 months to build, now takes 10-11 months to complete.
 - Because of capacity limitations and an abundance of projects, subcontractors are being very selective, which reduces the number of bidders for projects and raises the cost estimates.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES X NO

What is the cost? \$4.5 million

STRATEGIC PLAN ALIGNMENT:

How does this item align with your Department's Strategic Business Plan goals?

This aligns with the BCS strategic result of preserving, improving, and enhancing the quality and capacity of managed properties and facilities. The construction of the new libraries supports the Oak Lodge and Gladstone Library program so the public can access publically funded diverse materials and services to achieve their individual goals.

How does this item align with the County's Performance Clackamas goals?

This project aligns with the Vibrant Economy Goal: It provides economic development, public spaces, and community enrichment services to residents, businesses, visitors, and partners so they can thrive and prosper in healthy and vibrant communities.

LEGAL/POLICY REQUIREMENTS:

The IGA between the County and the City of Gladstone includes a commitment from the County to construct and manage two libraries: Gladstone and Oak Lodge.

PUBLIC/GOVERNMENTAL PARTICIPATION:

A number of public outreach strategies were initiated to reach the widest audience. Public input ranged from in-person interviews with teens, residents and staff, to an on-line open house. Project information and events were advertised via multiple methods, with a dedicated project website to share information, surveys and updates. A dedicated Planning Task Force was created made up of residents from the Gladstone Library Service area, and members of the Gladstone Library Advisory Board, Gladstone Library Foundation Advisory Board and Clackamas County Library Board of Trustees.

OPTIONS:

The following options are presented to address the funding needs:

A. Revenue Bond Payment Options

- A. Amend the Master Order
- B. Use County funds to pay the library portion of the bond

B. Construction Cost Escalation

- 1. Pay additional costs with County General Funds and/or explore the use of County ARPA funds
- 2. Reduce costs with additional value engineering
- 3. Stop the project and pay IGA termination fee (\$360,000)
- 4. Delay the project to provide time for the market to stabilize (amend the IGA)

RECOMMENDATION

Staff will share recommendations at the Policy Session

ATTACHMENTS:

- A. Gladstone Financial Information

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact Jason Varga @ 503-351-4012.

Attachment

Gladstone Financial Information

MAY 11, 2022 POLICY SESSION



Construction Funding Chronology

Original	July 21 Estimate	Sept. 21 CMGC \$	Nov. 21 CMGC w/ VE	May 22
\$6.0 million	\$7.4 million	\$7.7 million	\$7.0 million	\$9.4 million

CMGC = Construction Manager General Contractor

VE = Value Engineering

<u>Funding</u>	
State ARPA Funds	\$0.5M
Gladstone Beginning Fund Balance	\$0.3M
Revenue Bond (paid by County GF)	\$3.9 M*/\$281,856 yearly payment
Revenue Bond (paid by Library)	<u>\$2.1 M*</u> /\$151,884 yearly payment
Pre – BCC Total	\$6.8 M
Added by Board: County ARPA Funds	<u>\$0.2 M</u>
Total	\$7.0 M



BCC approved in Nov. 21

Construction Cost Increases

	November Estimate	April Estimate	Difference
Construction	\$4.6 million	\$6.7 million	\$2.1 million
Indirect/Soft Cost	\$2 million	\$2.3 million	\$.3 million
Master Planning	\$.35 million	\$.35 million	\$0
Total	\$7 million	\$9.4 million	\$2.4 million

Construction Funding Summary

Funding Categories	Amount
Current County Commitment	
• County ARPA Funds	\$.2 million
• General Fund Revenue Bond Repayment	\$3.9 million
Current Funding Subtotal	\$4.1 million
Additional Funding Needed:	
• Cost Escalation above available funding	\$2.4 million
• Replace Library Operating Funds for Revenue Bond	\$2.1 million
Additional Funding Subtotal	\$4.5 million
TOTAL COUNTY FUNDS	\$8.6 million
OTHER FUNDS	
• State ARPA	\$.5 million
• Gladstone Beginning Fund Balance	\$.3 million
TOTAL ALL FUNDS	\$9.4 million

Operating Funds

STATUS :

The Library has sufficient operating funds for several years if Gladstone funds are not used to pay debt on the Revenue Bond and is able to use the \$200,000+ from the City of Gladstone