



City of Homer

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Memorandum 22-094

TO: Mayor Castner and Homer City Council
THROUGH: Melissa Jacobsen, Acting City Manager
FROM: Julie Engebretsen, Economic Development Manager
DATE: June 6, 2022
SUBJECT: HERC

Purpose

The purpose of this work session is to have a conversation. Staff and the public have provided Council with a LOT of information over the past 6 months. I really want to know what your thoughts are, what information you need, and what concerns you have.

Council Priorities

Addressing the HERC buildings and site are a Council Priority from 2020. At this year's Council visioning session, Council members brought up the need to address youth recreation engagement, and also the need for a 5-10 year plan for recreation services and associated budget costs. Our collective work on the HERC site raises these same issues! Planning for a new facility goes hand in hand with planning for staffing levels. This memo below outlines some near term steps to align the path to a new facility with the minimum operational staffing needs.

Four Steps to Re-use and Re-new the HERC Site

Broadly, there are four big picture tasks to move forward. My request of Council for this work session is be ready to talk about the big picture. The fine details of who and how the work will happen is evolving. The first two steps are near term – 1-2 years, and the last two steps are longer term, 3-5 years.

1. Demolish the smaller building

Much to staff surprise, it appears there are at least three opportunities for demolition funding. All three options require demolition as part of the project, which could also include some new facility planning. Public Works has also been working with interested citizens to see what local options there are for demolition and cost control... as well as looking at where PW staff could move and associated costs.

Discussion topic: What does Council think about moving PW staff to a leased space, and demolishing the smaller structure?

2. Make decisions on level of funding for recreation facility staff

Construction funding through a bond or grant is fairly straightforward - we have a track record with the library and police station. What our city is less experienced with is planning ahead for the staffing support for additional building area and the expansion of services. Staff estimates a community facility could need an additional \$400,000 per year for operational costs. One of the ways the City can approach this expense is to consider adding positions in the next budget cycle. Fiscal scenario planning is key to this new facility and service expansion. Although the city just adopted the mid- biennium budget adjustment, conversation begins this fall on the next two year budget.

At least one position would be a recreation position (clerical support is sorely needed by the Parks Maintenance and Recreation divisions). Other staffing could be allocated between parks/recreation, building maintenance and janitorial work, as those are also understaffed. If the cost of two employees is too steep for the city budget to absorb, that is a roadblock to building a new building and expanding existing services.

Discussion topic: Increase staffing by 2 FTE in the next budget cycle.

3. Finalize facility plans, cost and construction bond measure

Currently, the City is projected to have funds to pay for the police station in 2025, and the dedicated sales tax for that bond will automatically expire. Staff is asking Council to set some parameters for potential timing of a new bond measure, and the amount of money we may borrow. Over the life of a 20 year bond, the city may need to build or rehab more than one facility. Staff is looking for a very rough idea of Council's debt comfort level. Please provide a range of what you would support for new facility construction. *For right now, assume that construction costs will rise with inflation, but so will taxable sales and sales tax revenues. Said another way, if the city had no bond debt today, what level of debt would you support right now?

*0.3% sales tax generates about \$820,000 a year.

Bond debt	Projected Debt Service
\$1 M	80,000
\$5 M	400,000
\$10 M	800,000
\$15 M	1,200,000
\$20 M	1,600,000

Discussion check in: Would the city wait until fall 2025, or later, for a new bond measure?

Discussion: How much do you expect the city to bond for construction? (Ballpark numbers!)

4. Demolish larger building and build new

This step is last, and the furthest in the future. It would happen after all the prior steps were completed. However, if we intend to build a new building roughly following the steps above, we should make that transparent. One possible action is to update the project page in the Capital Improvement Plan. Staff requests a Council person to work with staff to update the project page, and bring it back for a full Council approval. The current project asks for \$500,000 for facility planning... This has not resulted in funding for planning! The project could be divided into more clear phases based on what we know today: what the building will be used for, demolition plan, bonding, and a timeframe for building new.

Discussion: Is there consensus an updated Capital Improvement Plan project description is an appropriate next step? Is there a Councilmember of two who can work on this (June 20th- July 29th?)

Summary Questions:

1. What does Council think about moving PW staff to a leased space, and demolishing the smaller structure?
2. What does Council think about increasing staffing by 2 FTE in the next budget cycle?
3. What is the potential timing of a construction bond measure, and what is the range the city would consider borrowing?
4. Are there Council members who are willing to work with staff to enunciate the project for the Capital Improvement Plan?

Attachments:

1. Capital Improvement Plan Project Page
2. Public comments 5/4- 6/2