



# Council Agenda Report

To: Mayor La Monte and the Honorable Members of the City Council

Prepared by: Reva Feldman, Assistant City Manager *[Signature]*

Approved by: Jim Thorsen, City Manager *[Signature]*

Date prepared: January 29, 2013 Meeting date: February 11, 2013

Subject: Malibu City Hall Improvement Project Completion of Contract and Acceptance of Work

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**RECOMMENDED ACTION:** 1) Accept the work performed by Fidelity and Deposit Company of Maryland for the Malibu City Hall Improvement Project (Specification No. 2038) as complete; 2) Authorize the Public Works Director to submit for recordation a Notice of Completion for the project; and 3) Authorize the use of surplus project funds for City Hall pending improvement and deferred maintenance items.

**FISCAL IMPACT:** If the recommended action is approved, the City's next debt service payment for the City Hall project will be reduced by \$384,751.

**DISCUSSION:** The City acquired City Hall in 2009 for a permanent City Hall location. The acquisition was discussed by the Council on June 22, 2009 when it was determined that the City would proceed with financing the acquisition through the issuance of Certificates of Participation (COPs).

On August 10, 2009, the City authorized the issuance of \$22 million of COPs 2009A and 2009 B that provided \$15 million in proceeds for the acquisition. Due to the timing of the 2009 COPs issuance, the payment for the acquisition and the combined public and private uses of the building, the City deposited funds into escrow, including \$1.7 million from the City Hall Designated Reserve. The City received a reimbursement of \$15 million when the COPs were sold and the \$1.7 million from the City Hall Designated Reserve was deposited into a construction fund with Deutsche Bank, the City's trustee, for improvements to the building.

The City entered into a contract with LPA, Inc. on August 9, 2009 for the design of the improvements of City Hall and appropriated General Funds for the design of the project. The total General Fund appropriation for the agreement with LPA, Inc.

including a subsequent amendment was \$640,415. Multiple public meetings were held regarding the design and use of the facility.

On February 22, 2010, the City authorized the issuance of \$7 million of COPs 2010C and 2010D that provided \$5 million in proceeds for improvements to City Hall. The \$5 million was deposited into the construction fund with the trustee for improvements to the building, bringing the total of the construction fund held by the trustee to \$6.7 million. When combined with the General Fund contribution of \$640,415 the total amount available for the improvement project was \$7.4 million.

On July 26, 2010, the City entered into a construction contract with Chegini Enterprises Inc. dba SMC Construction Company (SMC) for the construction of the Malibu City Hall Improvement Project in an amount of \$4.4 million. The project that SMC was overseeing consisted of interior and exterior renovations of the new Malibu City Hall. Additional expenditures for furniture, fixtures and equipment were also anticipated, but the costs had yet to be identified. On December 13, 2010, the City authorized the expenditure of \$743,000 for furniture, fixtures, equipment and audio visual/broadcast equipment.

During the course of construction, many deferred maintenance items with the building were discovered that were unknown at the time of the approval of the construction contract. Items included the replacement of the main sewer line and the associated replacement of flooring and concrete, the replacement of electrical conduit in the theater and associated trenching, the addition of electrical conduit for the HVAC cooling tower, the addition of electrical safety switches, the addition of fire rated ceilings in the theater, the removal of vines and the painting of the exterior of the building, and multiple other small items that had were not identified during the design phase. After the City took occupancy in May 2011, additional expenditures were necessary in order for the building to operate efficiently as City Hall. The expenditures included upgrades to the elevator, additional electrical circuits, tree trimming, the repair of 2 decks, furniture and fixtures for meeting rooms, the purchase of additional computer equipment, and additional equipment for the broadcast function of the theater. These expenditures were appropriately budgeted, but are being attributed to the improvement project. The total of items completed is \$580,000 bringing the final project cost to \$6.2 million.

There are still pending deferred maintenance and improvement items that need to be completed in City Hall. These items include:

- Repair of patio and retaining walls, including replacement of concrete: \$20,000
- Additional lighting, speaker, podium improvements and controls to improve uses for public meeting, events and filming capabilities in the theater: \$15,000

- Purchase and installation of additional video equipment in Council chambers to upgrade the output and sound processing: \$90,000
- Additional electrical circuits for generator: \$12,000
- Termite treatment: \$30,000

The total of the additional items that need to be completed is \$170,000.

### Funding Summary

	<b>Funding</b>	<b>Purpose</b>	<b>Original Appropriation</b>	<b>Amount Spent</b>	<b>Balance</b>
1)	2009 A&B COPS (on deposit with trustee)	Improvements/FF&E	1,790,000	1,405,249	384,751
2)	General Fund Undesignated Reserve	Design	640,415	5,718	634,698
3)	2010 C&D COPS (on deposit with trustee)	Improvements/FF&E	5,000,000	4,829,786	170,214
4)	Sale of Surplus Property	Improvements/FF&E	18,000	0	18,000
	<b>Total</b>		<b>\$7,448,415</b>	<b>\$6,240,753</b>	<b>\$1,207,662</b>

Staff recommends the following use of the remaining funds:

- 1) \$384,751:** Apply this amount to the July 1, 2013 debt service for City Hall.
- 2) \$634,698:** These funds are currently in the General Fund Undesignated Reserve as they were not appropriated in the Adopted Budget for Fiscal Year 2012-2013. Staff recommends leaving the funds in the General Fund Undesignated Reserve.
- 3) \$170,214:** Use these funds to complete the outstanding improvement and deferred maintenance items.
- 4) \$18,000:** These funds are currently in the General Fund Undesignated Reserve as they were not appropriated as part of the Adopted Budget for Fiscal Year 2012-2013. Staff recommends leaving the funds in the General Fund Undesignated Reserve.

On January 28, 2013, the Administration and Finance Subcommittee discussed the use of the remaining project funds and recommended that the Council approve the staff recommendation.

Under the construction contract, SMC was to complete all items of work by May 2, 2011. SMC was unable to meet this deadline and on September 26, 2011, the City authorized a takeover agreement with Fidelity and Deposit Company of Maryland to complete the construction of the Malibu City Hall Improvement Project.

The work associated with the Malibu City Hall Improvement Project is now complete and staff recommends that the Council accept the work performed by Fidelity and Deposit Company of Maryland as complete and authorize the Public Works Director to submit a Notice of Completion for the project for recordation.

Ongoing maintenance associated with City Hall will be budgeted on an annual basis, including \$30,000 a year for custodial services, \$3,000 a year for elevator maintenance, \$5,000 a year for generator maintenance and propane, \$25,000 a year for HVAC maintenance, \$6,000 a year for landscaping maintenance and \$5,000 a year for onsite wastewater maintenance. These costs will be included in the proposed budget for Fiscal Year 2013-2014.

In the future, deferred maintenance costs from City Hall can be funded from the City Facilities Deferred Maintenance Reserve, which currently has a fund balance of \$1.1 million.

ATTACHMENTS: None.