



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 21-185

October 19, 2021

Introduced: 10/12/2021

Current Status: Agenda Ready

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Matter Type: BoS Resolution

Adopt a resolution to:

- a. Receive a capital needs report from A&D Consulting, LLC for Laguna Seca Recreational Area (LSRA);
- b. Approve adding the 1) Start/Finish Bridge; 2) Track re-paving; and 3) Turn 3 Structure as near-term capital needs to the FY 2021-22 5-year Capital Improvement Program (CIP) and PWFP-Facilities Work Program, for FY 2021-22;
- c. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget by increasing appropriations in the General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017 by \$750,000, financed by Cannabis Tax Assignment BSA 001-3132 (4/5ths vote required);
- d. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget by increasing appropriations and revenue in the Capital Project Fund, Fund 404, Appropriation Unit PFP057, by \$750,000, funded by a transfer in from General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017 (4/5ths vote required); and
- e. Authorize and direct the Auditor-Controller to transfer \$750,000 in FY 2021-22 from General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017, to Capital Project Fund, Fund 404, Appropriation Unit PFP057 (4/5ths vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a resolution to:

- a. Receive a capital needs report from A&D Consulting, LLC for Laguna Seca Recreational Area (LSRA);
- b. Approve adding the 1) Start/Finish Bridge; 2) Track re-paving; and 3) Turn 3 Structure as near-term capital needs to the FY 2021-22 5-year Capital Improvement Program (CIP) and PWFP-Facilities Work Program, for FY 2021-22;
- c. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget by increasing appropriations in the General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017 by \$750,000, financed by Cannabis Tax Assignment BSA 001-3132 (4/5ths vote required);
- d. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget by increasing appropriations and revenue in the Capital Project Fund, Fund 404, Appropriation Unit PFP057, by \$750,000, funded by a transfer in from General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017 (4/5ths vote required); and
- e. Authorize and direct the Auditor-Controller to transfer \$750,000 in FY 2021-22 from General Fund, Fund 001, Other Financing Uses Budget Unit 8038, Appropriation Unit CAO017, to Capital Project Fund, Fund 404, Appropriation Unit PFP057 (4/5ths vote required).

SUMMARY/DISCUSSION:

This request is to approve adding the 1) Start/Finish Bridge; 2) Track re-paving; and 3) Turn 3 Structure as near-term capital needs to the FY 2021-22 5-year Capital Improvement Program (CIP) and PWWP-Facilities Work Program for FY 2021-22 and approve funding for these three (3) critical-path capital projects which are required to continue the successful operation of track rentals and major and minor race events at *WeatherTech Raceway* at Laguna Seca Recreational Area. All three (3) of the projects are time sensitive. The proposed near-term capital needs projects for FY 2021-22 are set forth below:

- Construction of a new Start/Finish Bridge and Starters Box
- Re-paving of the Racetrack
- Upgrades to the interior and exterior of the Turn 3 temporary structure

Start/Finish Bridge. The Start/Finish Bridge (Bridge) is inspected annually. The January 2021 inspection report stated that, "...most likely the bridge will not pass the inspection in January of 2024..." If the Bridge does not pass inspection in January 2024, it will be closed. The Bridge is critical for the proper operation of both the track and park activities. The Bridge offers the only path of travel for spectators to enjoy the paddock, marketplace and lakebed. The Bridge is required for the following critical reasons. Most of the parking lots are located on the west side along with a grandstand with a capacity of 5,500. Guests are entertained by key corporate sponsors in one of several hospitality venues, including the main hospitality "Pavilion" which is also located on the west side. Hospitality activities are directly tied to sponsorship and commercial space revenue which is critical to the financial success of any event. In 2019 over 14,000 spectators enjoyed social events or utilized the grandstands during major racing events. The proposed new structure would allow for pedestrian traffic and golf cart transportation across the Start/Finish Bridge. The current structure does not allow for golf cart transportation. The proposed new structure would be a wooden structure, built off site and assembled near the current bridge structure. All major events, including racing events and/or other facility rentals require that the Bridge be functional and accommodate golf carts and pedestrian traffic.

Track Re-paving. The track was last resurfaced in 2007. The normal life span for an average track is 7-10 years. During the previous three (3) fiscal years (2019, 2020 & 2021) track operations generated \$11 million in gross revenue, not including major events, which is light due to the pandemic. For 2021-22 A&D is projecting over \$6 million in gross revenue. Net Operating Income (NOI) on operations runs between 65%-70%. The surface is currently a point of concern from renters and the professional racing series. Recently, during the Indycar race, the track surface condition was called out in nationally-televised press conferences and social media. Further, the 2021 Fédération Internationale de l'Automobile (FIA) track inspection report noted concerns with the track surface and suggested that the track be resurfaced in 2022. The FIA report is required by both International Motor Sports Association (IMSA) and Indy for all race circuits who hold these series events. The proposed actions are time sensitive because the schedule has been set for the 2022 racing event season and track rental booking for 2022 will begin next month. Due to time constraints, a decision regarding the addition of these three (3) projects as near-term capital needs to the FY 2021-22 5-year Capital Improvement Plan (CIP) and Facilities Work Program, for FY 2021-22 is critical.

Construction related to track re-paving would be scheduled in conjunction with the Start-Finish Bridge project. The track re-paving project will require approximately the same amount of time to perform as the Start-Finish Bridge project. Financially, combining the track re-paving project with the Bridge project, with the work to be performed simultaneously, could mitigate an estimated \$2.2 million loss in gross revenues.

Turn 3 Structure. Rolex has been requesting upgrades to the interior and exterior of the Turn 3 temporary structure for a few years. Rolex is the title sponsor for our Monterey Motorsport Reunion and has a major brand presence during car week on the Monterey Peninsula. Currently, the interior of the Turn 3 structure has limited appeal for high end hospitality events which were the intended use of this structure. The County's current agreement with Choura requires that Choura maintain the Turn 3 structure. Last year, at their expense, Choura replaced all items which needed replacement pursuant to the agreement between the County and Choura. The original structure was a basic shell buildout, interior and exterior. The funding request includes a request for \$300,000 to supplement the required work/expense if needed for requested décor upgrades in the interior and exterior of the Turn 3 structure. As there are currently no CIP funds for this structure, outside professional firms cannot be engaged to work on improvements needed for the Turn 3 structure. The proposal is to work with Choura to facilitate upgrades to the interior and exterior of the Turn 3 temporary structure. Proposed upgrades for the Turn 3 structure include mainly cosmetic upgrades with some required mechanical upgrades. A response to Rolex's request for upgrades is due by November 1, 2021 because the renovation schedule requires completion of the Turn 3 structure work prior to August 2022.

Porsche Rennsport Reunion. Another major factor to consider regarding this request to add these three (3) projects as near-term capital needs to the FY 2021-22 5-year Capital Improvement Plan (CIP) and Facilities Work Program, for FY 2021-22 is the Porsche Rennsport Reunion (sometimes referred to as "Reunion"). This Reunion is an internationally recognized event which was held at Laguna Seca in 2011, 2015 and 2018. Reunion representatives have expressed the desire to return to the Laguna Seca *WeatherTech Raceway*. *WeatherTech Raceway* is one (1) of four (4) tracks in the United States which is competing for the 2023 Porsche Rennsport Reunion event. *WeatherTech Raceway* has completed the Request for Proposal (RFP) process and has completed the site inspection. One condition, based on discussions as far back as 2015, is that Porsche Rennsport Reunion representatives have indicated that a new Start-Finish Bridge which can accommodate pedestrians and golf carts will be required if the *WeatherTech Raceway* is to be selected. In 2018, the Porsche Rennsport Reunion event was a financial success for Laguna Seca and had a tremendous economic impact to the county's economy. The decision regarding site selection will be made in October and announced in early November of 2021.

Project Budget and Projected Costs

The estimated total project costs are summarized below:

- Start/Finish Bridge and Starter Box- \$4.1 million (\$300,000 for design in FY 2021-22, \$3.8 million in FY 2022-23)
- Racetrack re-paving and minor infrastructure work- \$5.1 million (\$150,000 for permitting and bid in FY 2021-22, \$4.85 million in FY 2022-23)
- Renovation to Turn 3 Temporary Structure- \$300,000 (for construction in FY 2021-22)

- Total Request - \$9.4 million

Project Estimated Schedule

The tentative construction schedule for the Bridge and Starter Box would be in conjunction with the track re-paving project, November of 2022 through March 2023.

The construction funding would be required in FY 2021-22 and FY 2022-23 budgets and Capital Improvement Plans.

The funding requirement timeline is set forth below.

- Fiscal year 2021-22- \$750,000.
- Fiscal year 2022-23- \$8.65 million.

Potential Funding Opportunities

Potential funding sources for the proposed near-term projects (for the more expensive construction phase) are set forth below.

- County funding from Cannabis Assignment.
- Portion of Transient Occupancy Tax (TOT) currently collected. Events at Laguna Seca significantly impact the TOT generated to the County. TOT goes into the General Fund. As part of the Budget Process, certain allocations are distributed. The Monterey County Convention and Visitors Bureau (MCCVB) gets a portion of the TOT. TOT contributions for funding Laguna Seca capital projects could be explored further.
- Private Contributions. A&D has been discussing private contributions with business leaders. Private contributions could be explored further.
- Bond measure. This concept is in its preliminary scoping/planning phases and may be more sensible if a larger, well-defined plan is created.
- Contributions from Laguna Seca Sponsorships. This potential funding source would involve acquiring sponsors and other funding options. This concept is in its preliminary scoping/planning phase.

The long-term capital improvement plan (CIP) for Laguna Seca Recreational Area is valued at approximately \$66 million. To address these long-term needs, A&D Narigi Consulting LLC plans on returning to the Board of Supervisors with a Revised Business Plan to support the investment of this \$66 million and funding strategies for how the long term CIP could be funded. For the near term, A&D Narigi Consulting LLC requests that the Board of Supervisors consider the request as submitted and approve the addition of the three (3) proposed projects, including the 1) Start/Finish Bridge; 2) Track re-paving; and 3) Turn 3 Structure as near-term capital needs to the FY 2021-22 5-year Capital Improvement Plan (CIP) and Facilities Work Program, for FY 2021-22 and corresponding funding requests.

OTHER AGENCY INVOLVEMENT:

Laguna Seca Recreation Area is in transition to the Public Works, Facilities, and Parks Department (PWFP) which should be final in November 2021. As the near-term capital need request became more defined, staff coordinated with the County Administrative Office to identify potential funding

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sources. The report was presented to the Capital Improvement Committee on September 17, 2021, and the Budget Committee on September 29, 2021.

FINANCING:

Costs for the three (3) projects recommended to be completed are one-time costs. Staff collaborated with the County Administrative Office, Budget & Analysis Division (CAO-Budget Office) regarding potential funding sources for the addition of the proposed projects as near-term capital needs to the FY 2021-22 5-year Capital Improvement Plan (CIP) and Facilities Work Program, for FY 2021-22 and corresponding funding requests. In consultation with the CAO-Budget Office, the Cannabis Assignment is the recommended funding source for the \$750,000 request for the design/bidding phase for this immediate request concerning the proposed three (3) projects. Private-public partnerships and other sources will be sought for the construction phases.

As of October 4, 2021, the Cannabis Assignment projected balance is \$20,662,131. If approved, the General Fund, Other Financing Uses Budget Unit will transfer \$750,000 to the Capital Project Fund, Fund 404 financed by the Cannabis Assignment. This will reduce the estimated Cannabis Assignment balance to \$19,912,131.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

These near-term capital improvements to the Laguna Seca Recreational Area provide for adequate County facilities and infrastructure, supporting the Board of Supervisors Economic Development, Administration, Infrastructure, and Public Safety Strategic Initiatives by enhancing the safety of County staff, facility occupants, and the public. Recreational activities and events support economic development and promote an experience that would encourage repeat customers.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities and Parks

DocuSigned by:

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Attachments:

Attachment A - Resolution