



Board Report

File #: RES 22-086, **Version:** 1

Adopt a Resolution to approve funding recommendation for the WeatherTech® Raceway at Laguna Seca Start/Finish Bridge and Track Resurfacing Projects totaling \$9,725,000, including Laguna Seca Recreational Area (LSRA) Unrestricted Net Position \$1,283,905, Cannabis Tax Assignment \$4,406,095, Unassigned Fund Balance \$3,000,000, and 20% sponsorship match for Bridge Project \$1,035,000, and accomplish associated budget and accounting detail (4/5ths vote required).

RECOMMENDATION:

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

- a. Approve the funding recommendation for the WeatherTech® Raceway at Laguna Seca (WRLS) Start/Finish Bridge and Track Resurfacing Projects totaling \$9,725,000, including Laguna Seca Recreational Area (LSRA) Unrestricted Net Position \$1,283,905, Cannabis Tax Assignment \$4,406,095, Unassigned Fund Balance \$3,000,000, and 20% sponsorship match for the Bridge Project \$1,035,000;
- b. Authorize and direct the Auditor-Controller to amend the Fiscal Year (FY) 2021-22 Adopted Budget for LSRA, Fund 453, Appropriation Unit CAO046, to increase appropriations by \$1,283,905, where the financing source is LSRA Unrestricted Net Position 453-3202 (4/5ths vote required);
- c. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget for the General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017, to increase appropriations by \$7,406,095, where the financing source is Unassigned Fund Balance 001-3101 (\$3,000,000) and Cannabis Tax Assignment 001-3132 (\$4,406,095) (4/5ths vote required);
- d. Authorize and direct the Auditor-Controller to transfer \$8,690,000 for FY 2021-22 to Capital Projects, Fund 404, Appropriation Unit PFP057, from LSRA, Fund 453, Appropriation Unit CAO046 (\$1,283,905), and General Fund, Fund 001, Other Financing Uses Appropriation Unit CAO017 (\$7,406,095) (4/5ths vote required);
- e. Authorize and direct the Auditor-Controller to amend the FY 2021-22 Adopted Budget for Capital Projects, Fund 404, Appropriation Unit PFP057, to increase appropriations by \$8,690,000, where the financing sources are operating transfers in from General Fund, Fund 001, and LSRA, Fund 453 (4/5ths vote required); and
- f. Authorize the Auditor-Controller's Office to incorporate approved budget modifications to the FY 2021-22 Budget, and the County Administrative Office to reflect these approved changes in the FY 2022-23 Adopted Budget (4/5ths vote required).

SUMMARY/DISCUSSION:

On October 19, 2021, the Board of Supervisors (Board) considered the request to approve adding the Start/Finish Bridge, Track Resurfacing, and Turn 3 Structure as near-term capital needs to the Fiscal Year (FY) 2021-22 5-Year Capital Improvement Program (CIP) and the Public Works, Facilities, and Parks (PWFP)-Facilities Work Program. The Board approved \$450,000 in funding from the Cannabis Tax Assignment for the design work for the Start/Finish Bridge and the Track Resurfacing. However, the Board directed PWFP staff and A&D Narigi Consulting, LLC (A&D), to come back with a business plan to consider funding options for the construction phase of the Start/Finish Bridge and Track Resurfacing projects (Projects).

On December 8, 2021, the Board accepted the Laguna Seca Business Plan, added the two Projects to the CIP, and agreed to fund them from Transient Occupancy Tax (TOT), Cannabis Tax Assignment, or surplus funds. The Board directed staff to come back with options of funding sources for their consideration.

On March 30, 2022, the Budget Committee provided feedback on potential funding and financing options. The Committee recommended staff consider utilizing LSRA Unassigned Fund Balance, General Fund Unassigned Fund Balance derived through the Sheriff's Department's prior year budget savings, Cannabis Tax Assignment, and 20% from sponsorships. There was also discussion regarding replenishing any use of Cannabis Tax Assignment through either redistribution of discretionary revenues, such as Property Tax, Sales & Use Tax, and TOT, or with LSRA future earnings. It is important to note that if discretionary funds are redistributed to replenish the Cannabis Tax Assignment, it will take funds away from County commitments including General Fund contributions to departments, funding for economic development set-asides, and the Road Fund. Also, staff recommends setting aside future LSRA earnings in a capital projects assignment, to plan for future capital needs.

Currently, PWF and A&D are working with the design consultants to complete plans, formalize the bid package, and acquire any necessary permits. Biweekly meetings are attended by the design team, A&D, and County departments that will provide services for completion of the Projects. These meetings are held to ensure clear communication and expectations for all parties involved.

Staff previously reported that the costs and timeline for the Projects would extend into FY 2023-24. A&D and the consultants have been working on a timeline and plan to have the Project completed in FY 2022-23 in time for the 2023 racing season.

The *Estimated Total Project Cost* for both projects is summarized below. *Note: These estimates are subject to fluctuations in material prices and fuel increases, among other items.*

PROJECT BUDGET AND PROJECTED COSTS

Start/Finish Bridge and Starter Box - \$5.175 Million

(\$300,000 for design in FY 2021-22 [previously approved], \$4.875 million in FY 2022-23)

Racetrack Resurfacing and minor infrastructure work - \$5.0 million

(\$150,000 for permitting and bid in FY 2021-22 [previously approved]; \$4.850 million in FY 2022-23)

Estimated Total Costs for Construction of the Start/Finish Bridge and the Track Resurfacing Projects - \$10.175 Million

(\$450,000 funded; \$9.725 million unfunded)

PWF recommends the Board approve funding the \$9,725,000 using a combination of funds; including, LSRA Unrestricted Net Position \$1,283,905, Cannabis Tax Assignment \$4,406,095, Unassigned Fund Balance \$3,000,000, and a 20% sponsorship match for the Bridge Project of \$1,035,000. As of March 22, 2022, \$14,659,049 is available in the Cannabis Tax Assignment. Under this scenario, Cannabis Tax Assignment would fund \$4,406,095, reducing the Cannabis Tax Assignment balance to \$10,252,954. If A&D does not secure the 20% sponsorship match of \$1,035,000, or costs are greater, additional funding will be required and staff will return to the Board for direction.

OTHER AGENCY INVOLVEMENT:

Oversight of the Laguna Seca Recreation Area (LSRA) transitioned from the County Administrative Office (CAO) to PWF on November 1, 2021. Staff presented this report to the Budget Committee on March 30,

2022, and coordinated with the CAO-Budget Office on this request.

FINANCING:

The Projects total costs are estimated at \$10,175,000, and the Board provided \$450,000 for the initial design/bidding phase of the Projects from Cannabis Tax Assignment. An additional estimated \$9,725,000 is required for construction.

In FY 2020-21, LSRA transitioned operations from the General Fund to an Enterprise Fund (Fund 453). The prior year's earnings of \$1,840,970, which was held in an assignment, was transferred to Fund 453, and intended to be used for LSRA capital project needs. On December 8, 2021, the Board supported using the \$1,840,970 for partial funding of the Projects. However, those earnings have been eroded by losses in FY 2020-21 and an anticipated loss in FY 2021-22. LSRA is estimated to end FY 2021-22 with a positive Net Position of \$1,283,905 (before depreciation expense). The current year is expected to experience an operating loss due largely to the Countywide Cost Allocation Plan charges of \$1.0 million, an increase of nearly \$780,000 over the prior year from increased IT costs. The current cash balance is \$1,812,685, but it fluctuates daily with cash inflows/outflows.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

These near-term capital improvements to LSRA 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

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Reviewed by: Jessica Cordiero-Martinez, Finance Manager III

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

Attachments:

Attachment A-WRLS Bridge Project Conceptual 3D Drawings

Attachment B-Draft Resolution

(Attachments are on file with the Clerk of the Board)