



## MEASURE V OVERSIGHT BOARD SPECIAL MEETING

Clearlake City Hall Council Chambers  
14050 Olympic Dr, Clearlake, CA

Wednesday, April 13, 2022

Special Meeting 2:00 PM

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The Board meetings are viewable in person in the Council Chambers, via livestreaming on the City's YouTube Channel ([https://www.youtube.com/channel/UCTyifT\\_nKS-3woxEu1ilBXA](https://www.youtube.com/channel/UCTyifT_nKS-3woxEu1ilBXA)) or "Lake County PEG TV Live Stream" at <https://www.youtube.com/user/LakeCountyPegTV/featured> and the public may participate through Zoom at the link listed below. The public can submit comments and questions in writing for Board Member consideration by sending them to the Administrative Services Director/City Clerk at [mswanson@clearlake.ca.us](mailto:mswanson@clearlake.ca.us). To give the Board adequate time to review your questions and comments, please submit your written comments prior to 12:00 p.m. on the day of the meeting.

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### AGENDA

**MEETING PROCEDURES:** *All items on agenda will be open for public comments before final action is taken. Citizens wishing to introduce written material into the record at the public meeting on any item are requested to provide a copy of the written material to the City Clerk prior to the meeting date so that the material may be distributed to the Committee prior to the meeting. Speakers must restrict comments to the item as it appears on the agenda and stay within a three minute time limit. The Chair has the discretion of limiting the total discussion time for an item.*

#### AMERICANS WITH DISABILITY ACT (ADA) REQUESTS

If you need disability related modification, including auxiliary aids or services, to participate in this meeting, please contact Melissa Swanson, Administrative Services Director/City Clerk at the Clearlake City Hall, 14050 Olympic Drive, Clearlake, California 95422, phone (707) 994-8201, ext 106, or via email at [mswanson@clearlake.ca.us](mailto:mswanson@clearlake.ca.us) at least 72 hours prior to the meeting, to allow time to provide for special accommodations.

#### AGENDA REPORTS

Staff reports for each agenda item are available for review at <https://www.clearlake.ca.us>. Any writings or documents pertaining to an open session item provided to a majority of the Committee less than 72 hours prior to the meeting, shall be made available for public inspection on the City's website at <https://www.clearlake.ca.us>.

**Zoom Link:** <https://clearlakeca.zoom.us/j/83637269237>

#### A. ROLL CALL

**B. PLEDGE OF ALLEGIANCE**

**C. BUSINESS**

1. Minutes of the October 14, 2021 Meeting  
Recommended Action: Receive and file
2. Consideration of Letter of Support for Road Project Financing Package  
Recommended Action: Approve Letter of Support and Authorize the Chair to Sign

**D. ADJOURNMENT**

POSTED: April 8, 2022

BY:



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Melissa Swanson, Administrative Services Director/City Clerk



## MEASURE V ANNUAL MEETING

Clearlake City Hall Council Chambers  
14050 Olympic Dr, Clearlake, CA

Thursday, October 14, 2021

Regular Meeting 2:00 PM

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### MINUTES

Zoom Link: <https://clearlakeca.zoom.us/j/98235411709>

#### A. ROLL CALL

PRESENT:

Chair Conrad Colbrandt  
Member Sheryl Almon  
Member Bruno Sabatier  
Member Ray Silva

ABSENT:

Member-appointee Jim Scholz (arrived at 2:20)

1. Swearing In of Board Members Colbrandt, Silva, and Scholz

Administrative Services Director/City Clerk Swanson gave the oath of office to Chair Colbrandt and Member Silva. Member Scholz was given the oath of office when he arrived.

#### B. PLEDGE OF ALLEGIANCE

#### C. ADOPTION OF THE AGENDA

Motion to adopt the agenda was made by Member Sabatier and seconded by Member Almon. The motion passed with a unanimous voice vote.

#### D. PUBLIC COMMENT

There was no public comment.

#### E. BUSINESS

2. Review of Resolution No. 2021-18, A Resolution of the City Council of the City of Clearlake Affirming the Duties of the Measure V Citizen Oversight Committee Members

City Manager Flora reviewed the duties of the Committee. There was no action taken on this item.

3. Updated Measure V Projects Review

Public Works Director Goodman gave the overview of Measure V Projects. There was no action taken by the Committee on this item.

4. Review of the FY 2020/2021 Measure V Budget

City Manager Flora gave the staff report. There was no action taken on this item.

5. Adoption of Resolution No. OC 2021-01, A Resolution of the Measure V Oversight Committee of the City of Clearlake Declaring Compliance with Section 3-7.14 of Ordinance No. 189-2016  
Recommended Action: Adopt Resolution and Recommend Review by City Council

It was moved by Member Sabatier and seconded by Member Silva to adopt Resolution No. OC 2021-01, and add that the Resolution reflects the information and materials provided to the Committee. The motion passed with a unanimous roll call vote.

6. Minutes of the 2019 and 2020 Measure V Oversight Committee Minutes  
Recommended Action: Review and file

It was moved by Member Sabatier and seconded by Member Almon to accept the minutes. The motion passed with a roll call vote, with Members Colbrandt and Scholz abstaining.

**F. CITY MANAGER AND BOARD MEMBER REPORTS**

**G. FUTURE AGENDA ITEMS**

**H. ADJOURNMENT**

The meeting adjourned at 3:16 p.m.

BY:



Melissa Swanson, Administrative Services Director/City Clerk



# CITY OF CLEARLAKE

## Measure V Oversight Board

### STAFF REPORT

**SUBJECT:** Consideration of Letter of Support for Road Project Financing Package

**MEETING DATE:** April 13, 2022

**SUBMITTED BY:** Alan D. Flora, City Manager  
Kelcey Young, Finance Director

**PURPOSE OF REPORT:** ☐ Information only ☒ Discussion ☒ Action Item

#### WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The Measure V Oversight Board is being asked to discuss a letter of support for a road financing package.

#### BACKGROUND/DISCUSSION:

Over the last several years the City has discussed the option of financing a number of road projects in order to expedite the Measure V capital improvement plan. Staff have been working with NHA Advisors on various options for financing and an analysis of what the City could afford to borrow in order to complete a larger group of projects in a shorter period of time.

On March 17, 2022 the City Council approved moving forward with a financing package and are currently soliciting packages from private lenders. Staff will provide a presentation on funding opportunities, benefits, and challenges and ask the Committee to approve a letter of support to the City Council. The City Council expects to complete final approval of the financing package on April 21, 2022.

#### OPTIONS:

1. Approve Letter of Support and Authorize the Chair to Sign a Letter of Support
2. Other direction

# City of Clearlake Road Strategy Discussion

City Of Clearlake

April 13, 2022

# Agenda:



Staff Overview of Strategy Options



Staff Recommendations



Financial Consultant NHA Follow Up Discussion



Discussion of Projects



Questions and Discussion

# Road Projects:

- \$15 Million- \$18 Million
- Large Projects in Concentrated Areas
- High Density of Homes
- Public Streets
- Combination of Chip Seal, Full Depth Reclamation (FDR), and Maintenance
- Neighborhood Transformative Projects

# Benefits of this Project:



Adding paved  
roads to over  
2,000 residents



Adds investment  
interest to new  
businesses and  
developers



Improves overall  
reputation of the  
City



Provides better  
access to  
existing  
businesses



Increases road  
safety



## Two Strategies to Complete Road Projects using Measure V funds:

Pay – Go  
(Pay as you go)

Bond Program-  
Debt Financing

# Pay-Go:

Average of \$1.5 Million in projects per year

Smaller Projects

Piecemeal larger projects

Completed over 13 to 15 years

Harder to complete maintenance projects

## Debt Financing:

Street Projects completed in 1-3 years

Repayment over 10-15 years

Use of Measure V resources tied to debt financing

Current annual revenue: \$2.5 mil

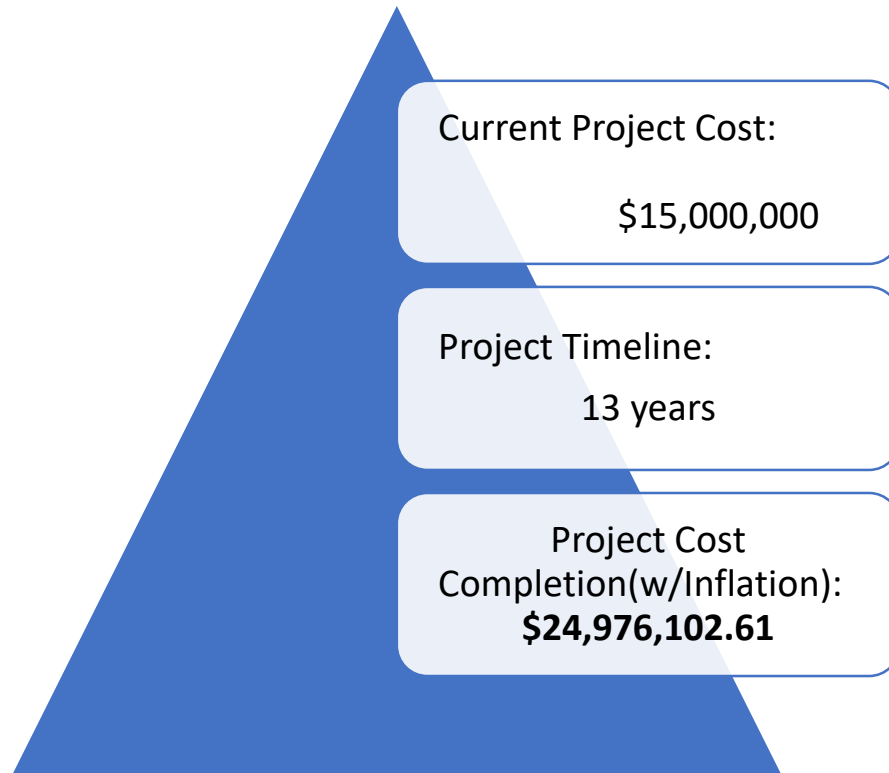
Annual debt service: \$1.5 mil

# Assumptions:

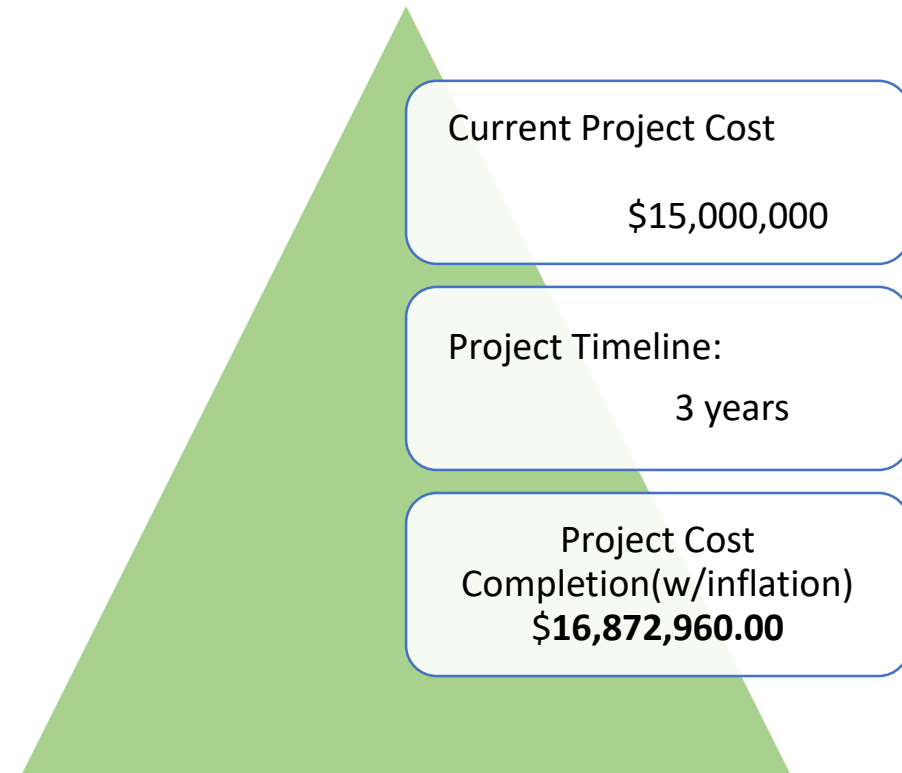
Project Cost (Current price):	\$15 Million
Annual debt service (per year):	\$1.5 Million
Bond amortization:	13 years
Bond rate:	2.75%
Inflation Rate	4.00%

# Cost Comparison

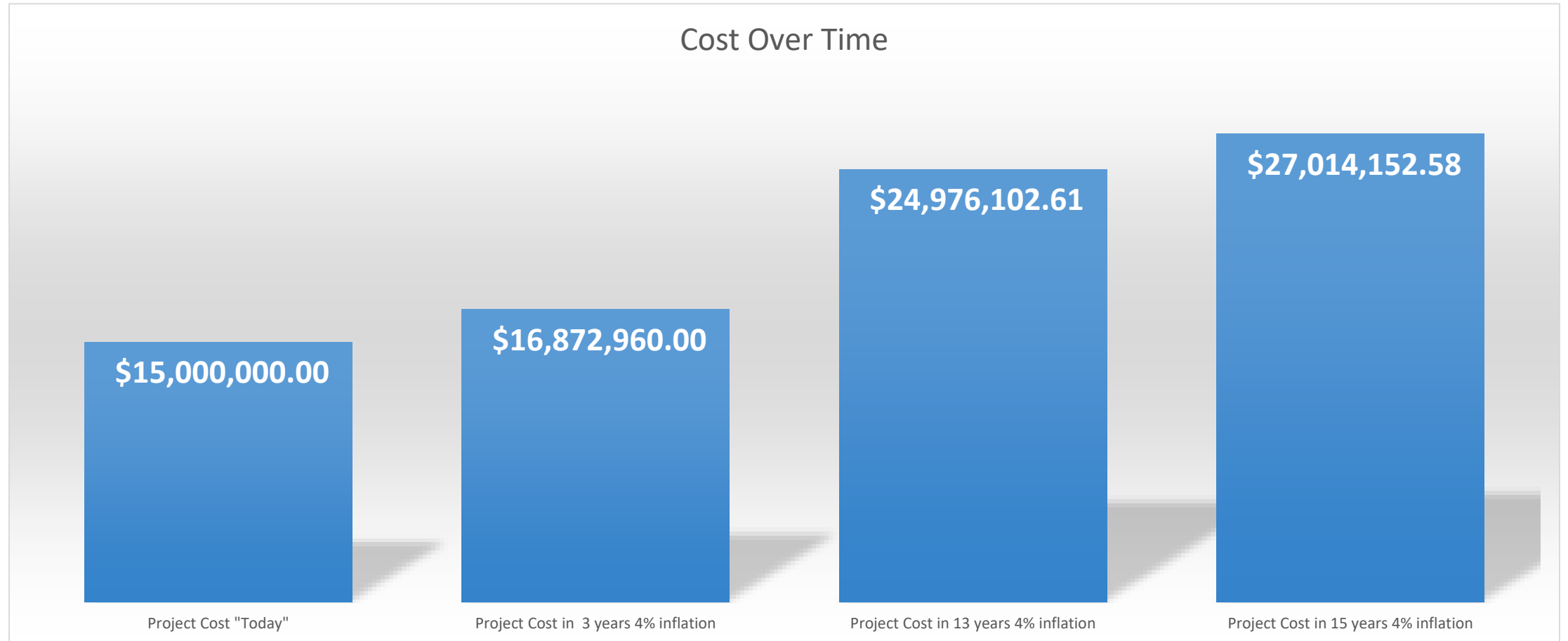
## Pay - Go



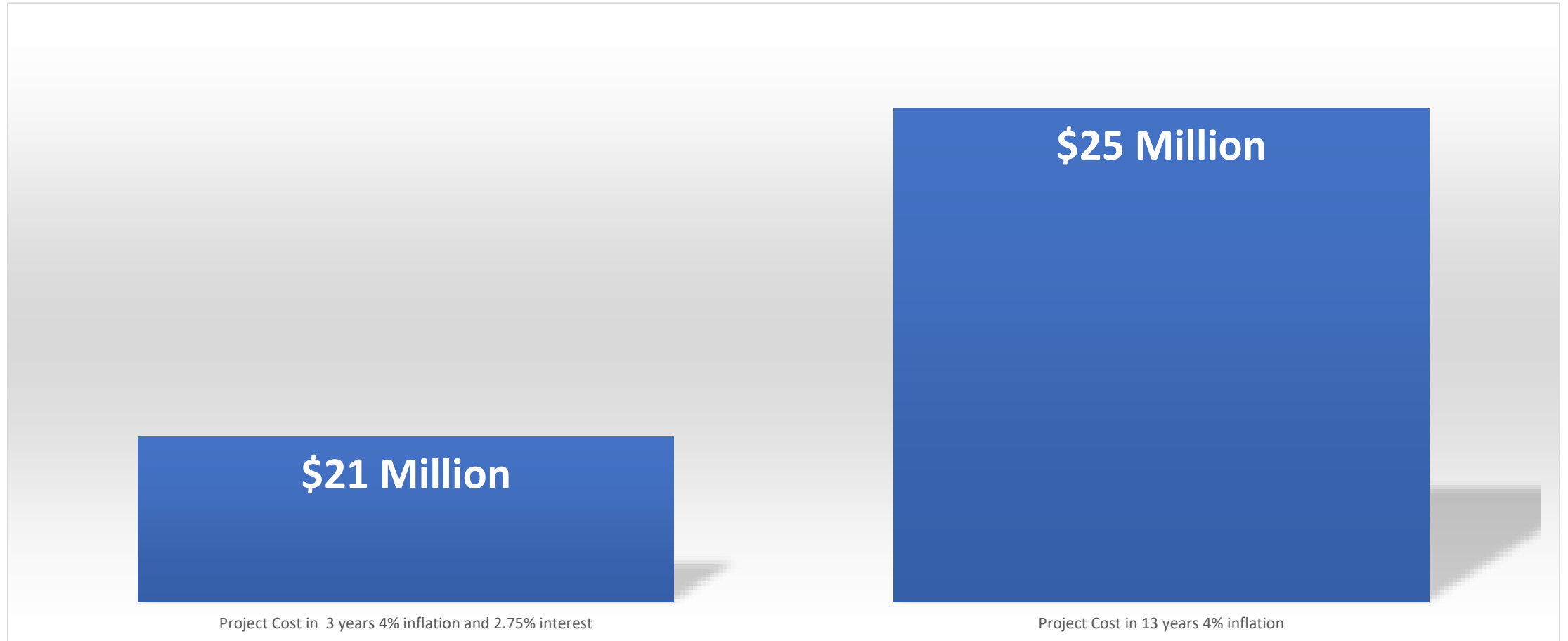
## Financing:



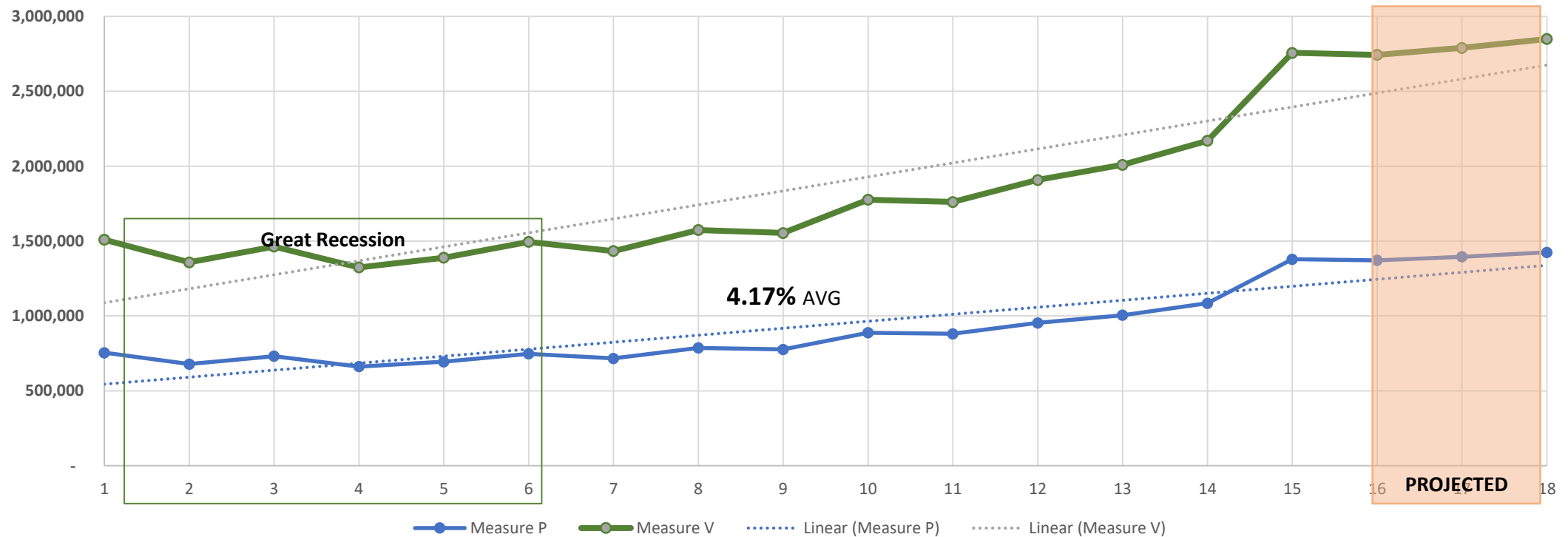
# Project Cost Increase from Inflation



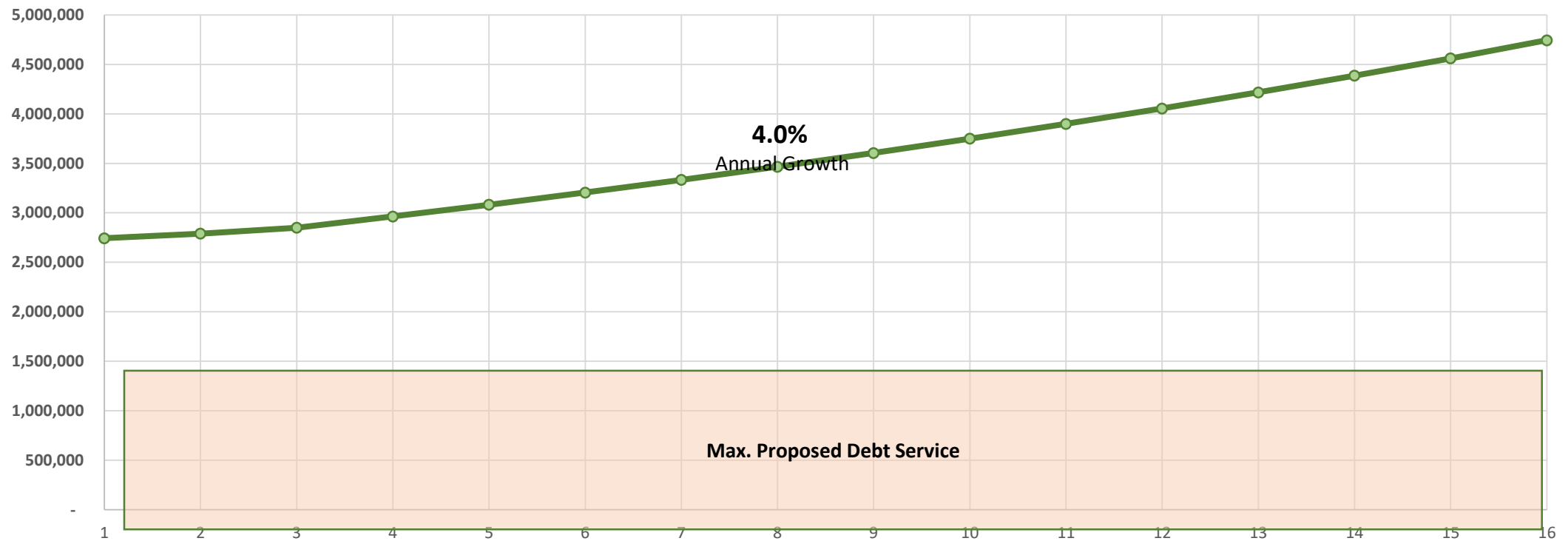
# Financing Cost vs Pay – Go Cost



# Measure P and Measure V FY 06-07 through FY 23-24



# Projected Annual Growth through FY 36-37



# Maintenance Estimate Assumptions:

- Average cost to maintain roads equals 10% of road rehab cost
- Optimal maintenance is every 5 - 7 years
- Consistent maintenance increases road life expectancy by 10-15 years

# Maintenance

- Saves money by protecting the asphalt and base course materials from water infiltration and solar radiation
- Extends road life and maintains safety and ride quality

Maintenance Options & Costs		
Treatment	Cost per Block	RSL Increase
High-density Mineral Bond (HA5)	\$5,280	7.5 yrs
Micro Surfacing	\$5,940	5 yrs
Chip Seal	\$7,260	7.5 yrs
Cape Seal	\$21,120	7.5 yrs
Thin Overlay	\$22,968	10 yrs
Thick Overlay	\$28,512	13 yrs
<b>Reconstruct</b> (for comparison only)	<b>\$145,200</b>	<b>20 yrs</b>

# Cost of Maintenance

- 10% of \$15 million
- \$1.5 million every 5 years
- \$4.5 million total over 15 years
- With no maintenance road would need to be rehabilitated every 15 years
- Completion of road projects quickly with ongoing maintenance, \$19.5 million investment would last approximately 30 years

# Staff Time for 1 construction contract per year

Average	Average Bid – 30 days
Contract	Contract Negotiation and Process- 20 Days
Staff	Staff time- 64 hours on average per solicitation/contract

Combining 13 contracts into 1 equates to savings of:

- 768 hours (over 19 weeks) in staff time
- 600 (Just under 2 years) days in contract delays
- This results in more efficiency and more opportunity for staff to work on other items



# Contract Consolidation

- Provides Economies of Scale
- Less Mobilization Costs
- Bulk Material Pricing
- Attractive to larger construction companies
- More bidding competition which leads to lower pricing

# Draft Reserve Policy

Would recommend a reserve of Measure V be held for the first three years:

10% first year

7.5% second year

5% third year



Required reserve period can be extended after if desired

# Recommended Strategy: Financing

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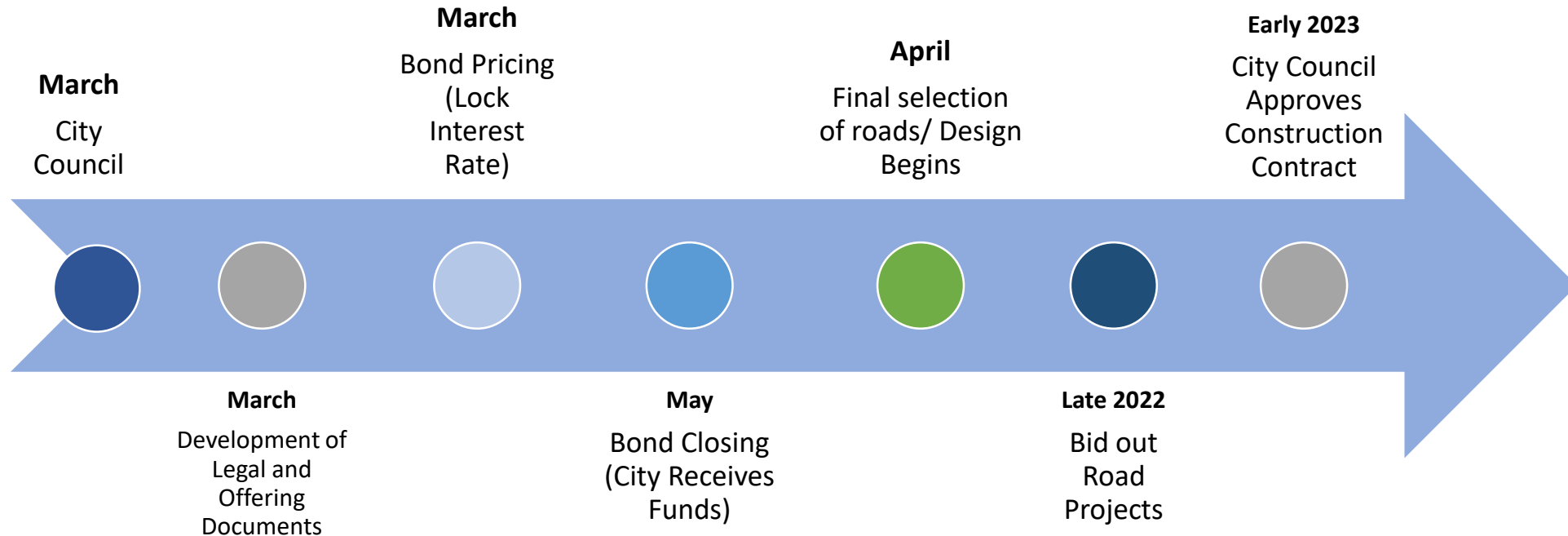
- **Risks:**
  - Sacrifice budgetary flexibility
  - Economic downturn
    - Loss of revenues
    - Debt payments

# Recommended Strategy: Financing

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- **Potential Benefits:**
  - Lower cost
    - Historically low borrowing costs
  - Hedge against inflationary pressure
    - Using, not chasing, inflation to our benefit
  - Known budgetary costs
  - Complete significant projects now

# Financing Estimated Timeline:



# CITY OF CLEARLAKE

## *STREETS FUNDING DISCUSSION – FOLLOW UP*

**NHA | ADVISORS**  
Financial & Policy Strategies.  
Delivered.



March 17, 2022

# Cost / Benefit Analysis of Bonding vs. Pay-Go

Section C, Item 2.

## Interest Costs on 15-Year Bond vs. Cost of Inflation

- Interest and financing costs on bond projected between \$3.0M and \$4.4M depending on bond sizing option
- Cost of Inflation (less projects funded using Pay-Go) is significantly higher
  - 4% Inflation
    - \$3.9M to \$5.8M
  - 6% Inflation
    - \$5.3M to \$7.9M
  - 8% Inflation
    - \$6.4M to \$9.6M

Proceeds Generated <sup>1</sup> with Funding Options			
	\$1 Million Annual Debt Service	\$1.25 Million Annual Debt Service	\$1.5 Million Annual Debt Service
<b>15 Year Term; 2.75% Rate</b>			
Financing Project Funding	\$11,975,000	\$15,010,000	\$18,050,000
Total Payments for Financing	\$14,961,350	\$18,706,125	\$22,457,550
<b>Financing Interest+COI</b>	<b>\$2,986,350</b>	<b>\$3,696,125</b>	<b>\$4,407,550</b>
Projects Pay-Go (Inflation @ 4%)	\$11,089,233	\$13,865,061	\$16,645,242
Total Payments for Pay-Go	\$14,961,350	\$18,706,125	\$22,457,550
<b>Inflation Reduction of Proceeds</b>	<b>\$3,872,117</b>	<b>\$4,841,064</b>	<b>\$5,812,308</b>
Net Benefit / (Cost) of Pay-Go	(\$885,767)	(\$1,144,939)	(\$1,404,758)
Projects Pay-Go (Inflation @ 6%)	\$9,686,551	\$12,111,413	\$14,539,713
Total Payments for Pay-Go	\$14,961,350	\$18,706,125	\$22,457,550
<b>Inflation Reduction of Proceeds</b>	<b>\$5,274,799</b>	<b>\$6,594,712</b>	<b>\$7,917,837</b>
Net Benefit / (Cost) of Pay-Go	(\$2,288,449)	(\$2,898,587)	(\$3,510,287)
Projects Pay-Go (Inflation @ 8%)	\$8,536,626	\$10,673,779	\$12,813,589
Total Payments for Pay-Go	\$14,961,350	\$18,706,125	\$22,457,550
<b>Inflation Reduction of Proceeds</b>	<b>\$6,424,724</b>	<b>\$8,032,346</b>	<b>\$9,643,961</b>
Net Benefit / (Cost) of Pay-Go	(\$3,438,374)	(\$4,336,221)	(\$5,236,411)

Interest Costs  
on Bond

Cost of Inflation

# Cost / Benefit Analysis of Bonding vs. Pay-Go

Section C, Item 2.

## Interest Costs on 10-Year Bond vs. Cost of Inflation

- Interest and financing costs on bond projected between \$1.4M and \$2.0M depending on bond sizing option
- Cost of Inflation (less projects funded using Pay-Go) is significantly higher
  - 4% Inflation
    - \$1.9M to \$2.8M
  - 6% Inflation
    - \$2.6M to \$4.0M
  - 8% Inflation
    - \$3.3M to \$4.9M

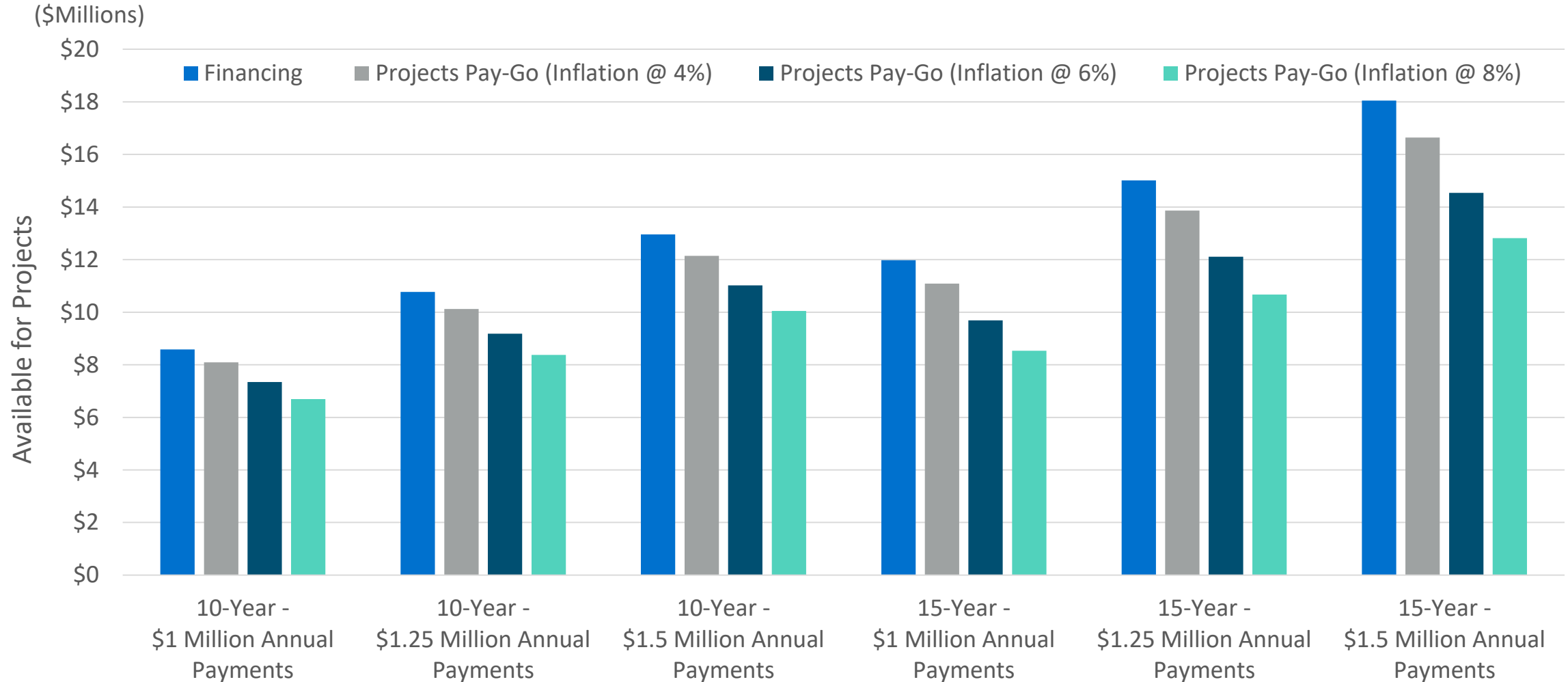
Proceeds Generated <sup>1</sup> with Funding Options			
	\$1 Million Annual Debt Service	\$1.25 Million Annual Debt Service	\$1.5 Million Annual Debt Service
<b>10 Year Term; 2.50% Rate</b>			
Financing Project Funding	\$8,585,000	\$10,770,000	\$12,955,000
Total Payments for Financing	\$9,980,375	\$12,476,500	\$14,973,250
<b>Financing Interest+COI</b>	<b>\$1,395,375</b>	<b>\$1,706,500</b>	<b>\$2,018,250</b>
Projects Pay-Go (Inflation @ 4%)	\$8,095,152	\$10,120,265	\$12,145,111
Total Payments for Pay-Go	\$9,980,375	\$12,476,500	\$14,973,250
<b>Inflation Reduction of Proceeds</b>	<b>\$1,885,223</b>	<b>\$2,356,235</b>	<b>\$2,828,139</b>
Net Benefit / (Cost) of Pay-Go	(\$489,848)	(\$649,735)	(\$809,889)
Projects Pay-Go (Inflation @ 6%)	\$7,345,892	\$9,183,745	\$11,021,066
Total Payments for Pay-Go	\$9,980,375	\$12,476,500	\$14,973,250
<b>Inflation Reduction of Proceeds</b>	<b>\$2,634,483</b>	<b>\$3,292,755</b>	<b>\$3,952,184</b>
Net Benefit / (Cost) of Pay-Go	(\$1,239,108)	(\$1,586,255)	(\$1,933,934)
Projects Pay-Go (Inflation @ 8%)	\$6,697,229	\$8,372,930	\$10,047,920
Total Payments for Pay-Go	\$9,980,375	\$12,476,500	\$14,973,250
<b>Inflation Reduction of Proceeds</b>	<b>\$3,283,146</b>	<b>\$4,103,570</b>	<b>\$4,925,330</b>
Net Benefit / (Cost) of Pay-Go	(\$1,887,771)	(\$2,397,070)	(\$2,907,080)

Interest Costs  
on Bond

Cost of Inflation

# Cost / Benefit Analysis of Bonding vs. Pay-Go

## Comparison of Funds Available for Projects with Financing vs. Inflation Costs



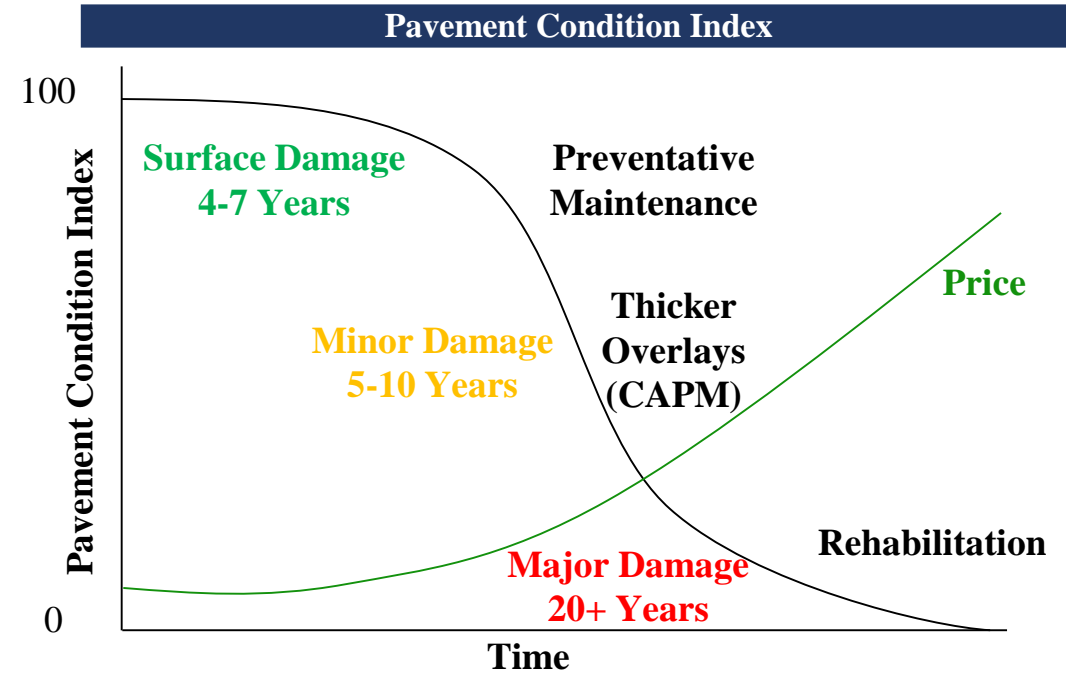
# Summary of Considerations for Bonding vs. Pay-as-you-go

Section C, Item 2.

- Inflation
  - The cost of waiting (inflation) is projected to be significantly higher than the cost of borrowing (bond interest costs) for projects today
- Rising Interest Rate Environment
  - Rates have been on the rise and projected to continue rising; locking in low rates in an inflationary environment is financially beneficial
- Economies of Scale
  - Aggregating projects will produce lower costs in a highly competitive construction environment
- Cost of Street Repair Exponentially Increases the Longer you Wait
  - Once streets fall below certain PCI, it becomes exponentially more expensive to repair them (reconstruction vs. maintenance/repair)

# How Streets Deteriorate and Repair Costs Increase...

- Pavement Condition Index (PCI) = “Health of a Street Network”
  - Target PCI Score = 65-75
  - Avg. Street Life = 20 years
- Street Repair Methods Vary Depending on PCI Score
  - High PCI scores  
Less Expensive to Repair
  - Low PCI Scores  
More Expensive to Repair



Fixing streets before the PCI score falls below “fair condition” saves money



# Review of Projects And Questions and Discussion



## **City of Clearlake**

14050 Olympic Drive, Clearlake, California 95422  
(707) 994-8201 Fax (707) 995-2653  
[www.clearlake.ca.us](http://www.clearlake.ca.us)

April 13, 2022

Honorable Mayor Slooten  
Clearlake City Council  
14050 Olympic Drive  
Clearlake, CA 95422

**RE: Measure V Committee Support for Financing Road Projects**

Dear Mayor Slooten,

On April 13, 2022 the Measure V Committee held a Special Meeting to review the opportunity for the City to pursue a financing package that would allow larger scale road projects to be completed with Measure V funds in a shorter time frame. The approach was compared to the current "pay go" model being used by the City. While we are pleased with the progress made thus far, we recommend that a financing model is the best long-term approach and encourage the City to finalize a package that accomplishes the main goal of Measure V, which was for "road maintenance and improvement" within the City of Clearlake. Further, the Committee supports amending the Expenditure Plan to clarify that paying both principal and interest on long-term financing of road improvement projects is consistent with Measure V's intent. In particular, the Expenditure Plan should be amended to provide for annual allocations of Measure V revenues to pay for the funding of road projects in installments, and we therefore encourage the Council to amend the Annual Expenditure Program to add the following language, "Annual allocations of revenues to pay principal and interest on long-term financing of road improvement projects."

We look forward to the many planned road projects in the City being completed as soon as is feasible and in a fiscally responsible way.

Sincerely,

Conrad Colbrandt, Chair  
Measure V Oversight Committee