


Date: December 9, 2022

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

**Subject: Update on Belmont Pool**

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This year, the City of Long Beach (City) made two commitments by the end of December 2022. The first commitment was to achieve 100 percent project design, ready to issue for construction bidding. I'm happy to report that we have hit that mark. We accelerated the design efforts this year, brought on a construction management firm, pre-qualified contractors who have the capacity to build the project, and the project is 100 percent designed and ready to submit for construction permits.

The second commitment was to create a funding strategy to close the gap on the project costs and get ready for construction. This became more difficult as project costs have escalated significantly from the overall cost of inflation, rising cost of construction, requirements from the Coastal Commission, and site requirements. What was originally hoped to be a \$25 million gap grew to about a \$50 million gap, even with significant phasing and value engineering. While significant, staff had put together a financing plan that would be brought to the City Council to consider in December. That plan would have required some tough choices but was feasible and could be implemented to finally complete the project.

For this project, the world changed this October. The Legislature passed a bill (SB 1137) that was introduced and passed within five days that has a dramatic impact on City finances, particularly in the Tidelands area. SB 1137 places restrictions on oil operations if they are within 3,200 feet of sensitive receptors, which affects a huge portion of the City's oil operations in Tidelands and Uplands areas. This new law goes into effect in January 2023 and will have lasting repercussions on Long Beach and specifically our finances in the Tidelands area. Simply put, a reduction on oil operations as a result of SB 1137 cannot support either the operating or the capital requirements of the current project without significant modifications.

The project team is looking into viable options and developing a path forward and are engaged with the project's stakeholder group. Attached is a project update that was shared with the project's stakeholder group that provides more detail on the challenges, the cost increase, the impact of SB 1137, and the potential solutions that will be explored to bring the cost of the project down and to align it with expected revenues moving forward. We will be sure to share significant developments on this project as they are made.

Please contact me if you have any questions.

ATTACHMENT – BELMONT POOL PROJECT UPDATE PRESENTATION

CC:

CHARLES PARKIN, CITY ATTORNEY  
DOUGLAS P. HAUBERT, CITY PROSECUTOR  
LAURA L. DOUD, CITY AUDITOR  
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KEVIN LEE, CHIEF PUBLIC AFFAIRS OFFICER  
MONIQUE DE LA GARZA, CITY CLERK  
DEPARTMENT HEADS



**Belmont Beach & Aquatics Center  
Project Update**

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**December 2022**

# AGENDA

1. Project wins since last update
2. Project Costs Summary
3. 2023 Commitments
4. Bridging the Funding Gap
5. Impacts of SB1137
6. Operating Costs Overview
7. Next Steps

# Project Wins Since March 2022

- Design is complete
  - Construction management team is on board
  - 5 general contractors have been pre-qualified
  - Coastal Commission conditions of approval have been addressed
    - Design revisions
    - Community outreach and access program
    - Sea level rise monitoring and adaptation plan (MAP)
    - Sampling and analysis plan (SAP)
    - Multiple environmental monitoring plans
  - Grant application and plan check has been submitted to LA County
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# Recent History of Project Costs

- Project submitted to Coastal Commission August 2018 (\$145M Est)
- Revised project/ EIR addendum approved by City Council January 2020 (\$85M Est)
- Coastal Commission approved the project February 2021 (\$130M Est)
- Design complete October 2022 (\$119M Est)

# Cost Growth from 2019 Estimate

<b>COST GROWTH CATEGORIES</b>	<b>AMOUNT (\$ millions)</b>
Code Required Seismic Upgrades for Existing East Pool	\$8.6
Escalation & Market Volatility	\$8.1
Coastal Commission Related Costs (design revisions, professional services, plinth, lighting, pile removal etc.)	\$7.0
Geotechnical – Soil Stabilization/ Strengthening	\$6.0
Authorities Having Jurisdiction (AHJ) Changes	\$4.0
Phased Construction To Maintain Access To Water	\$3.9
Design Driven Changes (Myrtha, Remote Chemical Room, HVAC in offices, Radiant heating, Angel Eye life safety system etc.)	\$3.7
Labor Compliance and Specialty Trade Related Costs	\$2.6
Existing Pool Interim Repairs	\$1.2
<b><i>Total estimated cost growth</i></b>	<b><i>\$45.1</i></b>

# Project Cost Drivers

COST SUMMARY	AMOUNT (\$ millions)
Total Estimated Project Cost as of September 2022	\$130
Savings: East Pool Upgrades as a Future Phase	-\$11
Additional Value Engineering Recommendations	-\$2
Estimated Project Cost as of September 2022	\$117
Funds Appropriated as of September 2022	\$61
Other Potential Funding Sources	\$6
<b><i>Total Estimated Funding Gap</i></b>	<b><i>\$50</i></b>

# 2023 Commitments

1. Complete design and be ready to bid the project
  - ACHIEVED!
2. Present financing strategy to bridge the funding gap
  - ACHIEVED...until SB1137



# Bridging the Funding Gap

## Sponsorship Opportunities

- Feasible to raise a few million dollars but not enough to close the gap

## Infrastructure Law/ Other Grants

- Competitive process
- Focus on transportation, climate, energy and the environment, and broadband
- Feasible for very limited scope of the project

## Debt Service (sale of bonds)

- Tough but feasible until SB1137
  - No longer a feasible option for the current project at the amount needed
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# Impacts of SB 1137

## Before SB 1137:

- Potential for up to \$50M debt issuance backed by Tidelands (depending upon operating costs)
- Reductions to operations needed in about 8 years (FY 31)
- Estimated that oil abandonment would be funded by 2035
- Tidelands Fund maintains a positive balance with oil priced at or above \$55/barrel
- Other priority projects can be funded with one-time dollars when oil is priced above \$55/barrel
- Debt capacity for other projects is not possible (AES Pumps/ Convention Center/ Seawalls/ Belmont Pier etc.)

# Impacts of SB 1137

## After SB 1137:

- Would require Long Beach to bet on oil prices significantly higher than the 17-year average
- Tidelands Fund would be depleted in FY29, requiring large service reductions
- Oil abandonment funding would be exhausted in FY 29, 6 years early, requiring General Fund to pay for oil abandonment
- No additional one-time dollars would be available for any Tidelands projects into the foreseeable future
- Debt capacity for other projects is not possible (AES Pumps/ Convention Center/ Seawalls/ Belmont Pier etc.)

# Operating Costs Overview

- Annual operating costs for the current facility are approximately \$1M
- Projections for the new facility were approximately \$2M
- Current estimates for the new facility as of September are approximately \$5.5M
- Annual operating and programming costs need to be approximately \$2M (i.e. \$3.5M below current estimates) for the project to be feasible
- Increase driven largely by water space and the area requiring staff coverage

# What Does a Feasible Project Look Like?

- \$62-75 million total project budget (i.e. reduce current \$119M project by approximately \$50 million)
- Reduce and combine the bodies of water
- Reduce recreational and competitive components
- Reduce spectator seating
- Reduce support spaces and locker facilities
- Shrink overall footprint

# Next Steps

- Adapt to the latest rules and regulations
- Evaluate options & develop scenarios that fit within the current budget
  - Discuss options with stakeholder group spring 2023
- Modify the design
- File for coastal development permit extension which expires February 11, 2023
- Work with Coastal Commission to approve the modified project
- Continue to track inflation, escalation & market volatility, adjust estimates accordingly
- Build a great community asset!