

**DATE:** June 7, 2011  
**STAFF:** Mike Freeman  
Marty Heffernan

**AGENDA ITEM SUMMARY**  
FORT COLLINS CITY COUNCIL

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**SUBJECT**

Items Relating to the Fort Collins Museum/Discovery Science Center Project.

- A. First Reading of Ordinance No. 072, 2011, Appropriating Prior Year Reserves in the General Fund for Transfer to the Capital Projects Fund for the Fort Collins Museum/Discovery Science Center Project.
- B. First Reading of Ordinance No. 073, 2011, Appropriating Prior Year Reserves in the General Fund for Transfer to the Capital Projects Fund for Exhibits for the Fort Collins Museum/Discovery Science Center Project.

**EXECUTIVE SUMMARY**

\$3,975,000 in funding for the new Fort Collins Museum of Discovery is needed now to complete the building. Completion is scheduled for November 2011. The Downtown Development Authority (DDA) has committed \$3 million for the building, but the funds are not currently available. The DDA is exploring funding options but will not have the funding in 2011. The Non-Profit Corporation (NPC) has committed \$4,561,916 to the museum building, with \$975,000 of that amount in the form of pledges to be paid between 2011 and 2014. The NPC is working to obtain a private loan for the \$975,000 but has not yet secured the financing. Adoption of Ordinance No. 072, 2011, will appropriate \$3,975,000 from General Fund reserves for the museum project to complete the building. The DDA plans to reimburse the City for \$3 million of this amount and the NPC intends to reimburse the remaining \$975,000 through private financing obtained by the DDA and NPC, or through financing provided by the City, as approved by Council.

The NPC has raised \$2.975 million for museum exhibits, with \$1.2 million in the form of pledges to be paid in future years (2011-2017). The new museum will open with a nice, but somewhat limited exhibit experience without a bridge loan for the \$1.2 million in exhibit pledges. Some exhibits will be postponed, and other exhibits will be more static, without the depth of knowledge or interactive technology that will be possible once the future year pledge money becomes available. Adoption of Ordinance No. 073, 2011, will appropriate \$1.2 million from General Fund reserves for museum exhibits. The NPC intends to reimburse the City as the future year pledge funds are received.

**BACKGROUND / DISCUSSION**

**PROJECT FUNDING**

Through Council's support, the Fort Collins Museum and the Discovery Science Center (DSC) joined together to create an exceptional new museum experience and facility. In 2005, Council included the new museum in the Building on Basics (BOB) capital program, which received strong voter support. BOB provided approximately \$6.183 million for the project and required DSC to provide at least \$3.6 million in matching funds. BOB also provides \$200,000 annually for seven years for operation and maintenance of the new facility. The DSC (which has transitioned into the Museum Non-Profit Corporation (NPC)) has raised approximately \$8.036 million to date, far exceeding its original \$3.6 million commitment.

In addition to BOB funding, approximately \$6.328 million has been provided from other public sources as follows:

• City Natural Resources: (building \$265,113 / exhibits \$734,887)	\$ 1,000,000
• Art in Public Places (Utility Project):	\$ 435,000
• City land donation:	\$1,730,000
• Department of Local Affairs:	\$ 200,000
• Colorado Department of Public Health and Environment:	\$ 75,000
• Downtown Development Authority:	\$3,000,000
• Estate Gift to the Fort Collins Museum	<u>\$ 89,000</u>
Other Public Funding	\$6,529,000
Building on Basics	\$6,183,000
NPC	\$8,036,000

Together, public and private contributions to the project total: \$20,748,000.

Based on these funding commitments, the City sought and secured Council's approval to appropriate \$15,109,666 for the exhibit master plan, and design and construction of the new museum, as follows:

\$6,183,750	from BOB
\$3,275,000	(\$3 million DDA; \$200,000 DOLA; \$75,000 grant, Ordinance No.130, 2009)
\$4,561,916	from the NPC (Ordinance No. 117, 2010)
\$ 89,000	from Estate Gift (Ordinance No. 101, 2009)
\$1,000,000	from City Natural Areas Program

**Allocation of Appropriated Funds**

\$13,218,105	Building
\$ 1,891,561	Exhibit Master Plan and Natural Areas Exhibits

**BUILDING FUNDS**

On January 27, 2010, after completion of the Request for Proposal process, the City entered into a design/build contract with Oz Architecture and Hensel Phelps for \$11,400,000. On December 28, 2010, Change Order #1 was issued for \$577,347 that increased the building square footage from 39,905 to 46,928. Additionally, Change Order #2 was issued May 4, 2011, for \$159,824 for various additional items incorporated into the contract. This brought the contract total to \$12,137,171. Remaining appropriated building funds were used for soft costs (fees, environmental tests/services, project management etc.).

Building construction began in earnest on August 16, 2010 after completion of the development review process and resolution of a land title issue with railroad right-of-way that required a re-design of a storm water quality pond. Completion of the building is expected in November 2011.

As of May 31, 2011, the City has paid \$7,892,611 to the contractor for work performed. Additional payments of \$4,244,560 are anticipated to complete the building as follows:

June 30	\$862,000
July 31	\$786,000
August 31	\$672,560
September 30	\$603,500
October 31	\$493,500
November 30	\$440,000
December 31	\$387,000

Funding of \$514,941 is currently available for the building. Consequently, available funds will be expended by June 30, 2011, leaving the design/build contract short by \$3,729,618.

**DDA FUNDING:**

The \$3 million anticipated funding from the DDA is not currently available. The history of the DDA commitment of the funding is as follows:

- April 2004: DDA Board approves \$1 million for the museum project.
- May 2009: DDA Board approves an additional \$2 million for the project, with construction anticipated to begin in 2010.
- June 2010: DDA and City Finance begin negotiations of terms with Great Western Bank for a 2010 bond issuance and determine capacity is not available to fund the museum commitment in the 2010 bond series.
- July 2010: DDA inquires of City staff as to when the \$3 million is required, indicating DDA had to limit the bond principal amount in 2010 and need to include the museum commitment in its 2012 bond issuance, and suggests working together on some temporary solutions. Staff responds that DDA funds are needed in 2011, but fails to identify solutions.
- March 2011: DDA is notified by City that project has a funding deficit and needs DDA funds. DDA begins investigating options to fund the \$3 million commitment but confirms that funds will not be available in 2011.

**NPC BUILDING FUNDS**

The NPC has committed \$4,561,916 to the building, with \$975,000 of that amount in the form of pledges that will be paid over the next few years. The \$975,000 is needed in 2011 to complete the building. The NPC has been working to secure a bridge loan from private lenders for the \$975,000, but the tight credit market has made this very challenging and expensive. Annual interest payments in excess of \$50,000 are expected. The NPC is committed to bridging the \$975,000 in 2011 so the building can be completed. However, if the City provides the funding it would save the project considerable expense and assure timely completion (contingent on resolving the DDA funding problem). The outstanding building pledges are from very reliable organizations, as follows:

The Griffin Foundation:	\$400,000 (\$100,000 annually 2011-2014)
Woodward:	\$250,000 in 2012
The Gates Family Foundation:	\$250,000 in 2013
The Boettcher Foundation:	\$ 75,000 in 2013

Staff has investigated options for reducing the building expense. Unfortunately, the building project is too far along to afford any significant savings. Staff has already made \$300,000 worth of reductions to keep the project within the original budget. Additional reductions would require portions of the building to be unfinished.

**APPROPRIATION FOR BUILDING**

Adoption of Ordinance No. 072, 2011, appropriates \$3,975,000 from General Fund reserves for the museum project to complete the building. The DDA will reimburse \$3 million of this amount after obtaining private financing or through financing provided by the City, as approved by Council. The NPC will reimburse the remaining \$975,000 after obtaining private financing or through financing provided by the City, as approved by Council.

**CONTRACT IMPLICATIONS**

If the City fails to make a payment, the contractor may attempt to claim certain contract remedies. If the contractor were successful in claiming damages, the expenses could possibly be in the range of the cost to complete the project.

## **NPC EXHIBIT FUNDS**

\$2.975 million for exhibits has been raised by the NPC. These funds have been restricted by the donors for exhibits and cannot be used for the building. \$1.2 million in exhibit donations will be paid in future years as follows:

The Bohemian Foundation:	\$250,000 in late 2011
The Schatz Foundation:	\$250,000 in 2012
Woodward:	\$200,000 in 2014
Anonymous Donor:	\$500,000 (\$100,000 annually 2013-2017)

The new museum will open with a nice, but somewhat limited exhibit experience absent a bridge loan for the future year exhibit pledges. For example, the early childhood area would not be in place; the live animal exhibit would include only the City's modest current collection; the bike exhibit would have to wait; and the Flood Theater exhibit would be postponed. Additionally, many exhibits will be more static, without the depth of information or interactive technology that will be possible once the future pledge funds become available. In contrast, three areas (Natural Areas, Science Experience, and Music and Sound) will be fully executed on opening day because they are funded by donations specifically designated for these exhibits.

## **APPROPRIATION FOR EXHIBITS**

Adoption of Ordinance No. 073, 2011, appropriates \$1.2 million from General Fund reserves for museum exhibits. The NPC will reimburse the City as exhibit pledges are received, as noted above.

## **THE DIGITAL DOME**

The Digital Dome Theater is the capstone element of the Museum of Discovery. It provides a 360 degree immersive experience for the exploration of astronomy, music, earth and climate science, art, cultural history, presentations, and events. A \$2 million campaign is underway to fund the dome and \$350,000 in future year pledges have been secured. The NPC is working to secure a private bridge loan for the \$350,000 so the infrastructure for the dome can be completed by the on-site building contractor. Completing this work in the future would be much more (\$125,000 to \$200,000) expensive.

No Council action is being requested regarding the Digital Dome.

## **FINANCIAL / ECONOMIC IMPACTS**

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Adoption of Ordinance No. 072, 2011, reduces General Fund reserves by \$3,975,000. The General Fund reserve balance after the appropriation would be \$36,949,107.

Adoption of Ordinance No. 073, 2011, reduces General Fund reserves by \$1.2 million. The General Fund reserve balance after the appropriation would be \$35,749,107.

## **STAFF RECOMMENDATION**

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Staff recommends adoption of the Ordinances on First Reading.

## **ATTACHMENTS**

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1. Powerpoint presentation

## New Museum Funding Issues

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## Building on Basics

- In 2005 Council included the new museum in the Building on Basics (BOB) capital program
- BOB provided \$6.183 million and required the Discovery Science Center (DSC) to provide at least \$3.6 million

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## Public Funding to Date

\$12.7 million total public funding:

- \$6,183,750 from BOB
- \$3 million from Downtown Development Authority (DDA)
- \$1 million from Natural Resources
- \$1.73 million from the City for the value of the land

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## Private Funding to Date

- DSC original commitment through BOB was \$3.6 million
- DSC has raised ~\$8.036 million to date

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## Public/Private Funding to Date

- Public Funds: \$12.7 million
- Private Funds: \$8.036 million
- Total Funds raised: \$20.748 million
- Appropriated \$15,109,666 in 2009 and 2010 for the building and exhibits
- The remaining \$5.638 million represents the value of the land, art in public places and additional exhibit funding

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## Design/Build Contract

- Original Contract: \$11.4 million (January 10, 2010)
- Contract increased to \$12,137,171 through designated private donation to increase square footage from 39,905 to 46,928 sq. ft.
- \$7,892,611 has been paid to the contractor for work completed
- \$4,244,560 is remaining to be paid to the contractor between July and December

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## Cash Flow Issues

- Funding of only \$514,941 is available, leaving the project short by \$3,729,618
- The \$3 million commitment from the DDA is not currently available
- The DDA was not able to include the \$3 million in their 2010 bond issuance
- DDA informed project staff of the problem in June of 2010 but staff did not identify solutions

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## Private Pledges

- The museum non-profit corporation (NPC) (formerly the DSC) committed \$4,561,916 of their funding to the museum building
- \$975,000 is in pledge form to be paid from 2011-2014
- The NPC is working to secure a bridge loan from private lenders for the \$975,000

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## Council Options

### Building Construction

- Short Term Loan
- No Loan
- Stop Work

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## Short Term Loan

- Adopt Ordinance No. 072, 2011 appropriates \$3,975,000 from General Fund reserves for the museum building

### Impacts:

- Allows construction to continue and be completed
- Reduces General Fund reserve balance from \$40,924,107 to \$36,949,107
- The remaining reserve balance may fall below the minimum 60 day amount established by the Council reserve policy, depending on City revenue and expenditures in 2011

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## Short Term Loan

- Staff will continue working with the DDA in 2011 on options to reimburse the \$3 million, including private financing or possible long-term financing provided by the City, if approved by Council
- Staff will continue working with the NPC in 2011 to assist them in obtaining private financing or possible long-term financing provided by the City, if approved by Council

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## No Loan or Work Stoppage

### No Loan

- Building not completed
- City defaults on design/build contract
- Do not deliver voter approved project

### Work Stoppage for 90 Days

- Allows Time for DDA/NPC to possibly secure private loans
- Liability to contractor, estimated at \$600,000

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## Exhibit Loan

- The NPC has raised \$2.975 million for exhibits
- \$1.2 million of this exhibit funding will be paid as follows:
  - \$250,000 in 2011
  - \$250,00 in 2012
  - \$100,000 in 2013
  - \$300,000 in 2014
  - \$100,000 in 2015, 2016 and 2017
- The NPC does not have the ability to obtain a private loan for the \$1.2 million
- The NPC would reimburse the City for the \$1.2 million as the exhibit pledges are paid

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## Exhibit Options

- Exhibit Bridge Loan
- No Loan

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## Impacts of Bridge Loan for Exhibits

- The exhibit plan will be complete when the new museum opens including: early childhood; live animals; bicycles and the Flood Theater
- Other exhibits will be fully executed, including interactive technology
- General Fund reserves will be reduced by an additional \$1.2 million to \$35,749,107

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## Impacts of No Exhibit Loan

- Some exhibits will be postponed and many exhibits will not have the depth of information or interactive technology that will be possible once the future year pledges become available

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## Ordinance No. 073

- Approval of Ordinance No. 073, 2011 appropriates \$1.2 million from General Fund reserves for exhibits

ORDINANCE NO. 072, 2011  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
APPROPRIATING PRIOR YEAR RESERVES IN THE GENERAL FUND FOR  
TRANSFER TO THE CAPITAL PROJECTS FUND FOR  
THE FORT COLLINS MUSEUM/DISCOVERY SCIENCE CENTER PROJECT

WHEREAS, on November 1, 2005, Fort Collins voters passed Ordinance No. 092, 2005, approving the "Building on Basics" ("BOB") tax for certain capital projects;

WHEREAS, \$6,000,000 was included in the BOB capital project program for construction of a new combined-use facility for the Fort Collins Museum and the Discovery Science Center ("Project"); and

WHEREAS, the City and Discovery Center, a Colorado non-profit corporation, d/b/a Discovery Science Center (the "NPC"), now officially know as FCDM, Inc., entered into an operating agreement for the construction and operation of the Project; and

WHEREAS, the Project will be jointly owned, managed, and funded by the City and the NPC; and

WHEREAS, the City Council, through various appropriation ordinances, has previously appropriated \$14,997,992 for the construction of the Project, which appropriations include \$6,183,000 in revenue from the BOB tax; \$3,000,000 in anticipated revenues from the Downtown Development Authority ("DDA") and \$4,561,916 in anticipated revenues raised by the NPC and its predecessor; and

WHEREAS, in January 2010, the City entered into a design – build contract for the construction of the Project, and construction commenced in August 2010; and

WHEREAS, construction on the Project is continuing and the Project will incur additional construction costs through December 31, 2011; and

WHEREAS, the DDA expected that its \$3,000,000 commitment to the Project, which has been approved by the DDA Board of Directors, would be funded with proceeds from its 2010 bond issuance; and

WHEREAS, because of market condition and state legislation that had the effect of lowering the DDA's tax revenue, the DDA was not able to issue bonds in an amount sufficient to generate the funds needed to meet its obligation to the Project; and

WHEREAS, while the NPC has contributed \$3,586,916 to the Project, its remaining obligation of \$975,000 for construction costs, which has been approved by the NPC Board of Directors, is in the form of donor pledges that are to be paid between 2011 and 2014, so the majority of these donor funds are not available at this time to be applied to the remaining construction costs of the Project; and

WHEREAS, as a result of the inability of the DDA and the NPC to deliver a combined amount of \$3,975,000 in time to meet the Project's construction schedule, the Project's capital project account does not have sufficient funds to cover the remaining construction costs of approximately \$4,244,560 that are likely to be incurred by the City to complete the Project; and

WHEREAS, in order to avoid delaying the opening of the Project, and to avoid the potentially significant and additional contract expenses that may result if construction of the Project is suspended, the City Council believes that it is in the best interest of the City to appropriate from General Fund reserves the amount of \$3,975,000 to be used for construction of the Project; and

WHEREAS, the NPC and the DDA are continuing their efforts to obtain financing for their respective shares of the funding shortfall so that the City can be repaid and the funds advanced by this ordinance restored to the General Fund reserve account as soon as possible; and

WHEREAS, Article V, Section 9, of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from prior year reserves in the General Fund the total sum of THREE MILLION NINE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$3,975,000) to be transferred to the Capital Projects Fund for expenditure in the Fort Collins Museum of Discovery capital project.

Introduced, considered favorably on first reading, and ordered published this 7th day of June, A.D. 2011, and to be presented for final passage on the 5th day of July, A.D. 2011.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading on the 5th day of July, A.D. 2011.

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Mayor

ATTEST:

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City Clerk



ORDINANCE NO. 073, 2011  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
APPROPRIATING PRIOR YEAR RESERVES IN THE GENERAL FUND FOR  
TRANSFER TO THE CAPITAL PROJECTS FUND FOR EXHIBITS FOR THE  
FORT COLLINS MUSEUM /DISCOVERY SCIENCE CENTER PROJECT

WHEREAS, on November 1, 2005, Fort Collins voters passed Ordinance No. 092, 2005, approving the "Building on Basics" ("BOB") tax for certain capital projects; and

WHEREAS, \$6,000,000 was included in the BOB capital project program for construction of a new combined-use facility for the Fort Collins Museum and the Discovery Science Center ("the Project"); and

WHEREAS, in March 2008, the City and the Discovery Center, a Colorado non-profit corporation, d/b/a Discovery Science Center (the "NPC"), now officially known as FCDM, Inc., entered into an operating agreement for the construction and operation of the Project; and

WHEREAS, the Project will be jointly owned, managed, and funded by the City and the NPC and will expand the educational experience of city residents by providing a broader array of scientific, cultural and historical exhibits in a single location, and will also provide an exciting new City amenity; and

WHEREAS, the NPC has raised \$2.975 million for museum exhibits with \$1.2 million of that amount coming from pledges to be paid between 2011 and 2017; and

WHEREAS, the museum exhibits will be limited until the \$1.2 million is available to complete the exhibit experience; and

WHEREAS, funds are available in the General Fund prior year reserves to transfer to the Project for exhibit costs until such time as the NPC obtains \$1.2 million that can be transferred to the Project; and

WHEREAS, the NPC has reported to City staff that it is continuing its efforts to obtain financing for the \$1.2 million for the exhibits so that the City can be repaid and the funds advanced by this ordinance restored to the General Fund reserve account as soon as possible; and

WHEREAS, Article V, Section 9, of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from prior year reserves in the General Fund the total sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000) to be transferred to the Capital Projects Fund for the Building on Basics – Fort Collins Museum of Discovery Project .

Introduced, considered favorably on first reading, and ordered published this 7th day of June, A.D. 2011, and to be presented for final passage on the 5th day of July, A.D. 2011.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading on the 5th day of July, A.D. 2011.

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Mayor

ATTEST:

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City Clerk