

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: November 15, 2012
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: Six-Year Capital Improvement Plan

RECOMMENDATION:

That Harbor Commission review and approve the proposed Waterfront Department Six-Year Capital Improvement Plan for Fiscal Years 2014 through 2019.

DISCUSSION:

The purpose of the Capital Improvement Plan (CIP) is to create a planning tool for developing and evaluating capital projects funding needs over the next six years. Section 604 of the City Charter requires departments to, "prepare and submit to the City Council a Five-Year Capital Program at least three (3) months prior to the date for submission of the budget". The FY 2014 budget must be filed by May 1 of each year and therefore the CIP is due by February 1. Capital Improvement projects that are scheduled to fund and be implemented in FY 2014 will be included in this new budget. Final approval of the specific CIP projects that are scheduled to fund in FY 2014 will occur when Council adopts the City's budget in June 2013. Future year projects (FY 2016-2019) will not be funded as part of the upcoming budget process, but are included in the Six-Year CIP for advance planning purposes.

Existing Capital Projects

There are a total of 22 capital projects identified (Attachment 1), nine of which have been carried over from the existing CIP that was developed during the FY 2012/2013 budget process. These include annual renovation and replacement projects such as the Marinas Renovation program, Stearns Wharf Heavy Timber and Pile Replacement program, Parking Lot Maintenance program, and the Marina One Replacement Project. A complete list is shown on the attached spreadsheet.

Phases 5 - 8 of the Marina One Replacement Project are included in the Six-Year CIP. Cost estimates have been revised based on the actual cost of constructing Phases 1 through 3 and the bid for Phase 4. Construction of Phase 4 is scheduled for completion in FY 2013. Funding for Phases 1-4 was through a loan from the Department of Boating and Waterways (DBW). Funding for Phase 5 will likely be through an additional \$1.9 million loan from DBW. Funding for Phases 6 through 8 has yet to be determined.

New Capital Projects

A total of seven new projects are proposed in the Six-Year CIP. These include the following:

1. Ice House Upgrades (\$150,000/FY14)
2. 117 Building Electrical Upgrade (\$150,000/FY15)
3. Marina 2 – 4 Endtie Replacement (\$150,000/FY15 & FY17)
4. Sea Landing Sidewalk and Landscaping (\$250,000/FY2014)
5. Harbor Restroom ADA Remodel (\$200,000/FY2015 & FY17, \$150,000/FY19)
6. Parking Equipment Replacement (\$200,000/FY14, \$100,000/FY15)

Unfunded Capital Projects

Staff considers a wide variety of projects when preparing the CIP. Only projects that can reasonably expect to be funded and constructed are included in the CIP. Funds available for CIPs are determined by first estimating revenues, operating expenses and ensuring that policy reserves are met. A six-year cash flow model is prepared and funding for CIPs is identified. In addition, staff applies certain criteria such as completing a phased project, structural needs, maintaining utility infrastructure, improved efficiency, meeting building codes, City Council policy, and public input in prioritizing projects. Projects that meet the criteria and for which adequate funds are available are included in the CIP.

Projects that meet the criteria, but cannot be funded have traditionally not been included in reports to the Harbor Commission or City Council. At the direction of the City Administrator, unfunded projects are now to be identified and presented to advisory and decision-making bodies. The following projects meet the criteria for Capital Improvements, but there are not adequate funds when considering the six-year cash flow model to include in the CIP.

| | |
|----------------------------------|-------------|
| Maintenance Shop Remodel | (\$100,000) |
| Replace Patrol Boat 3 | (\$400,000) |
| 119 Building Elevator | (\$350,000) |
| 125 Building Elevator | (\$350,000) |
| 217 Building Elevator | (\$350,000) |
| 132 Building Emergency Generator | (\$100,000) |

These projects will be considered in future CIPs or as funds become available.

Six-Year Cash Flow Projection

Citywide, the Capital Improvement Plan (CIP) is being developed and submitted in advance of the overall budget process. Unlike General Fund Departments, the Waterfront Department is an Enterprise Fund and must finance its own capital improvement projects. For this reason, it is important to consider the fiscal effect the CIP will have on the

Department's capital reserve fund (Harbor Preservation Fund). The Harbor Preservation Fund (HPF) is required to be maintained between \$2 million and \$5 million pursuant to Section 17.40.030 of the Municipal Code. Commissioners should also keep in mind that since the establishment of the HPF, City Council has also required Enterprise Funds to establish operating and economic contingency reserve funds. Currently, the Department has approximately \$6.6 million total in the HPF and Operating Reserve Funds. In addition, the Department carries substantial property insurance on all waterfront facilities.

The DBW loan terms require that the Department maintain a debt service coverage ratio (total revenue less operating expenses / debt service) of not less than 1.5. Net revenue must be 1½ times greater than the combined Certificates of Participation (COPS) debt service and the DBW debt service.

The Six-Year CIP is developed considering the Department's cash flow model, which includes the relationship between the Operating Fund, CIP, and Operating Reserve Fund together with the Harbor Preservation Fund. However, this cash flow projection is tentative, pending receipt of final FY 2012 actual revenue and expense figures and reserve balances from the Finance Department. As the next two-year budget is prepared, the six-year cash flow model may be revised, if necessary.

The draft cash flow projection shows that the CIP as submitted is reasonable in relationship to forecasting future Department revenues/expenses and the ability to maintain the required minimum of \$2 million in the Harbor Preservation Fund. It is important to keep in mind that this is not a budget proposal; details of the Department's operating budget will be developed and recommendations on any potential fee increases finalized over the next several months.

Process

The CIP must be submitted to the City's Public Works Department in October in preparation for the upcoming FY 2014 budget cycle. The Capital Improvement Plan will be reviewed by the City Administrator and Finance Department in December, and will be forwarded to the Finance Committee and City Council in January 2013.

Attachment: Capital Improvement Plan

Prepared by: Karl Treiberg, Waterfront Facilities Manager