

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** October 23, 2014  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Six-Year Capital Improvement Plan**

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#### **RECOMMENDATION:**

That Harbor Commission review and approve the proposed Waterfront Department Six-Year Capital Improvement Plan for Fiscal Years 2016 through 2021.

#### **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 2016 – 2017 budget must be filed by May 1 and therefore the CIP is due by February 1. Capital Improvement projects that are scheduled to fund and be implemented in FY 2016 and FY 2017 will be included in this new budget. Final approval of the specific CIP projects will occur when Council adopts the City's budget in June 2015. Future year projects (FY 2018-2021) 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 16 capital projects identified (Attachment 1), nine of which have been carried over from the existing CIP that was developed during the FY 2014/2015 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 6 - 8 of the Marina One Replacement Project are included in the Six-Year CIP. Cost estimates have been revised based on the low bid recently received for construction of the remaining phases. Construction of Phase 5 is scheduled for completion in FY 2015. Funding for all eight phases is through a loan from the Division of Boating and Waterways (DBW) with the exception of Phase 8 which the Waterfront proposes to fund out of the Harbor Preservation Fund.

### **New Capital Projects**

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

1. Parking Self Pay System (\$134,000/FY16)
2. Repower Harbor Patrol Vessels (\$110,000/FY16, \$130,000/FY17, \$200,000/FY18, \$140,000/FY21)
3. Sea Landing Gangway (\$125,000/FY16)

### **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	(\$700,000)
125 Building Elevator	(\$350,000)
217 Building Elevator	(\$350,000)

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. The Department had

approximately \$4.6 million in the HPF and \$3 million in Operating Reserve Funds at the beginning of FY 2014; updated reserve balances should be available from the Finance Department in December. 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 2014 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 was reviewed by the Harbor Commission Budget Subcommittee on October 6, 2014. Commissioners Sloan and Powers were present and generally supported the proposed projects included in the CIP. Several comments were made related to the cash flow model and FY2016/2017 budget that will be reviewed by staff and the Harbor Commission during pending budget deliberations.

The CIP must be submitted to the City's Public Works Department in October in preparation for the upcoming FY 2016/2017 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 2015.

Attachment: Capital Improvement Plan

Prepared by: Karl Treiberg, Waterfront Facilities Manager



**CITY OF SANTA BARBARA  
WATERFRONT DEPARTMENT  
FY2016 - FY2021 CIP as of 09-26-2014**



**October 23, 2014  
Report #7**

<i>SEQ #</i>	<i>Project Description</i>	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>	<i>FY 2021</i>	<i>Total</i>
<b>Funded Projects</b>								
601	Marina One Replacement	1,690,000	1,950,000	1,885,000				5,525,000
602	Marina Renovations Program	250,000	250,000	250,000	275,000	275,000	275,000	1,575,000
603	Parking Lot Maintenance Program	105,000	85,000	240,000	80,000	80,000	85,000	675,000
604	Stearns Wharf Heavy Timber & Pile Replacement	425,000	425,000	425,000	425,000	450,000	450,000	2,600,000
605	Replace Hoists 1, 2, 3, and 4	50,000		50,000				100,000
606	Seawall ADA Handrailing & Sidewalk Repairs	50,000	50,000	50,000	50,000			200,000
607	Marina 2 - 4 Endtie Replacement		150,000		85,000			235,000
608	Stearns Wharf Waterline Replacement				200,000			200,000
609	Harbor Restroom ADA Remodel		200,000		150,000			350,000
								<b>11,460,000</b>
<b>Total</b>		<b>2,570,000</b>	<b>3,110,000</b>	<b>2,900,000</b>	<b>1,265,000</b>	<b>805,000</b>	<b>810,000</b>	<b>11,460,000</b>
<b>NEW Projects</b>								
610	Parking Self-pay System	134,000						134,000
611	Repower Harbor Patrol Vessels	110,000	130,000	200,000			140,000	580,000
613	Sea Landing Gangway	125,000						125,000
	<b>Total</b>	<b>369,000</b>	<b>130,000</b>	<b>200,000</b>	<b>-</b>		<b>140,000</b>	<b>839,000</b>
<b>Totals</b>		<b>2,939,000</b>	<b>3,240,000</b>	<b>3,100,000</b>	<b>1,265,000</b>	<b>805,000</b>	<b>950,000</b>	<b>12,299,000</b>
<b>Unfunded Projects</b>								
614	Replace Patrol Boat #3					700,000		700,000
615	Renovate Maintenance Shop				100,000			100,000
616	125 Elevator					350,000		350,000
617	217 Elevator						350,000	350,000
	<b>Total</b>							<b>1,500,000</b>
<b>Totals</b>								

**Attachment**