

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: November 17, 2016
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 2018 through 2023.

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 2018-2019 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 2018 and FY 2019 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 2017. Future year projects (FY 2020-2023) 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 19 capital projects identified, 10 of which have been carried over from the existing CIP that was developed during the FY 2016-2017 budget process. These include annual renovation and replacement projects such as the Marinas Renovation Program, Stearns Wharf Heavy Timber and Pile Replacement program, Parking Infrastructure Improvements and the Marina One Replacement Project. A complete list is shown on the attached spreadsheet.

Phase 8 is the final phase of the Marina One Replacement Project and is included in the Six-Year CIP. The State Parks Division of Boating and Waterways (DBW) approved a \$14,000,000 loan for all eight phases. Phases 1-6 came in under budget and the same is expected of Phase 7 which is currently under construction. There are adequate funds in the Waterfront's Harbor Preservation Fund to pay for a portion of Phase 8 which will result in total loan proceeds of \$11,945,000 from DBW with a corresponding annual debt service of approximately \$998,000 for 20 years.

New Capital Projects

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

1. Replace Harbor Patrol Boat 2 (\$550,000 – FY2023)
2. Accommodation Dock Gangway (\$225,000 – FY2020)
3. Stearns Wharf Guardrail (\$101,000 – FY2018)
4. Interior Dredging (\$100,000 – FY2021)
5. Harbor Way Sidewalk (\$125,000 – FY2019)

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.

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	(\$150,000)
Marina One R –S Walkway Improvements	(\$150,000)
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 above \$2 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 \$6.4 million in the HPF and \$3 million in Operating Reserve Funds at the beginning of FY 2017; 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 2016 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 November with prior review by the Harbor Commission for the upcoming FY 2018-2019 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 2017.

Attachment: Capital Improvement Plan

Prepared by: Karl Treiberg, Waterfront Facilities Manager



CITY OF SANTA BARBARA
 WATERFRONT DEPARTMENT
 FY2018 - FY2023 CIP as of 11-8-2016



SEQ #	Project Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Funded Projects								
601	Marina One Replacement - Final Phase 8	1,912,000						1,912,000
602	Marina Renovations Program	250,000	275,000	275,000	275,000	275,000	275,000	1,625,000
603	Parking Lot Maintenance Program	110,000	95,000	230,000	100,000	90,000	125,000	750,000
604	Searns Wharf Heavy Timber & Pile Replacement	425,000	425,000	450,000	450,000	450,000	450,000	2,650,000
605	Replace Hoists 1, 2, 3, and 4		150,000					150,000
606	Seawall Guardrail Upgrade and Cobble Removal	170,000						170,000
607	Searns Wharf Waterline Replacement	350,000				300,000		650,000
608	Marina One West Restroom Remodel				225,000			225,000
609	Parking Infrastructure Improvements	240,000					150,000	390,000
610	Repower Harbor Patrol Vessels	200,000				125,000		325,000
Total		3,657,000	945,000	955,000	1,050,000	1,240,000	1,000,000	8,847,000

NEW Projects								
611	Replace Boat 2						550,000	550,000
612	Accommodation Dock Gangway			225,000				225,000
613	Searns Wharf Guardrail	101,000						101,000
614	Interior Dredging				100,000			100,000
615	Harbor Way Sidewalk		125,000					125,000
Totals		101,000	125,000	225,000	100,000	0	550,000	1,101,000

(Totals Funded and New Projects) \$3,758,000 \$1,070,000 \$1,180,000 \$1,150,000 \$1,240,000 \$1,550,000 \$9,948,000

Unfunded Projects								
616	R-S Walkway Structural Improvements						150,000	150,000
617	Renovate Maintenance Shop				150,000			150,000
618	125 Harbor Way Elevator - Marine Center Building					350,000		350,000
619	217 Elevator - Searns Wharf						350,000	350,000
Totals								1,000,000