ATTACHMENT 3

KEEPING SANTA BARBARA IN SHAPE

Infrastructure Financing Report
for the
City of Santa Barbara

Infrastructure Financing Taskforce
October 2008

LETTER FROM TASKFORCE CHAIR

October 21, 2008

Mayor and City Council
City of Santa Barbara
P.O Box 1990
Santa Barbara, CA 93102

Dear Madam Mayor and Honorable Councilmembers;

Our Taskforce wishes to thank you for the opportunity we have had to closely examine the capital and infrastructure programs of the City of Santa Barbara. We appreciate the cooperation and encouragement we have had from the City's staff and managers.

We believe the appointment of this Taskforce was both wise and timely – given the nature of capital investment, governmental finance, and credit markets in the United States and California today.

Our report is stated in general terms – sufficient for development of an implementation plan by your professional staff. We have described the "what" and your staff will determine the "how."

Time is of the essence. Adjusting operating budgets to ensure investment in the effective functioning of infrastructure and provision for the future will be one of the most important legacies you can pass to future City Councils and to future generations.

Santa Barbara appears much better attuned to the problems of capital planning than other California cities, but without specific action by the staff and City Council, that advantage could be squandered.

On behalf of the Taskforce,

Richard W. Jensen
Chair

TABLE OF CONTENTS

Introduction And Background 2

Taskforce Members/Biographies 3

Executive Summary 6

- Long Term Strategy 7
- Options For Closing Funding Gaps 7
- Financing Recommendations 8
- Management And Policy Recommendations 9
- Conclusion 10

Current Conditions 11

- Demographics: 11
- Santa Barbara Economic Forecast: 11
- Real Estate: 11
- Employment And Economic Growth: 12

Description Of Major Infrastructure Capital Projects FY 2000 To FY 2008 . 13

Santa Barbara Capital Infrastructure Requirements FY 2008 – FY 2013 15

- Facilities Renewal Resource Model (Frrm) 18
- Evaluation Of Capital Infrastructure Requirements By Department 21

Critical Unfunded Infrastructure Needs 24

- Police Department 24
- Fire Department 25
- Parks And Recreation 26
- Library 27
- Public Works 28

City Of Santa Barbara Revenues 29

Infrastructure Financing Mechanisms 31

- Overview Of Fund Revenues 31
- Long Term Debt Financing 31
- Assessment Districts 32
- Taxes 32
- Fees 32
- Waterfront Fees 33
- Collateralizing Future Revenue Streams 33
- Public-Private Partnerships 34
- Intergovernmental Collaboration 34

Comparisons To Similar California Cities 35

Summary Of Findings And Recommendations 36

- Financing Recommendations 37
- Management And Policy Recommendations 38

INTRODUCTION AND BACKGROUND

In early 2007, the City Council held two workshops to discuss the City's Six-Year Capital Improvement Program. At the workshops, City staff expressed concern regarding the large number of unfunded projects, totaling nearly $146 million. It was also noted, that in addition to those projects identified in the six year capital plan, there are many other worthy capital needs that were not mentioned due to the lack of potential funding.

On August 7, 2007, the Council approved the formation of an Infrastructure Financing Taskforce (Taskforce). The Taskforce's mission was the following:

- Review the current capital planning process and recommend steps for improvement;
- Review the identified capital needs to ensure that they accurately reflect the needs of the community;
- Review the City's overall financial situation and make recommendations for improvements;
- Review the City's budgetary practices, reserve policies, and capital financing strategies and make recommendations for improvements; and
- Recommend specific steps to the Council on how to best meet the current and future capital financing needs of the City.

The Council established the Infrastructure Financing Taskforce on January 15, 2008, to provide citizen input and to assist the City of Santa Barbara in developing a long term plan for funding necessary capital improvement projects and maintenance needs for its civil infrastructure over the next decade. The Taskforce was tasked with reviewing the City's current capital planning system and, most importantly, make recommendations to the City Council on options for closing the estimated $146 million funding gap in the City's current capital plan.

The Taskforce held its first meeting on January 23, 2008, and met on a bi-monthly basis. The meetings were open to the public and the agendas, minutes, and additional material were posted on the City's website. The Taskforce included a cross section of Santa Barbara City and County residents supplemented by a City Council liaison, staff from the City Administrator's Office and the Finance Department, with assistance from other City departments involved in planning and constructing capital facilities in the City.

While the Taskforce's focus was exclusively on infrastructure financing – during the course of the study, members encountered certain management and organizational issues, which they felt impacted the City's ability to maintain infrastructure in satisfactory condition. Therefore, the Taskforce also made recommendations for organizational changes within the report.

TASKFORCE MEMBERS/BIOGRAPHIES

The Infrastructure Financing Taskforce members included individuals with diverse skills needed for the successful completion of the Taskforce's mission.

Richard Jensen
Infrastructure Financing Taskforce Chair
Retired executive from the University of California; was responsible for capital planning, budgeting, and financial management at UC Santa Barbara for 19 years where he supervised the university's capital planning and infrastructure, and subsequently at UC Santa Cruz for nine years. He participated as both a Chair and member of many University of California efforts to enhance capital planning and budgeting. His consulting experience includes several assignments at the University of Illinois, Chicago, where capital planning and budgeting was a focus.

Dr. Stephen Kurtzer
Infrastructure Financing Taskforce Vice Chair
Private investor and founder and CEO of several technology companies. Eighteen years of experience in executive management, including funding, company growth and acquisition, and investments.

Renee Grubb
CEO of Village Properties Real Estate Corporation and Chair of the Santa Barbara Chamber of Commerce. Currently serving on the Budget and Finance Committee for the Santa Barbara Association of Realtors and served on the California Association of Realtors Strategic Planning and Finance Committee for three years.

Frank Schipper
CEO of leading local construction firm, Frank Schipper Construction Co., and member of the Santa Barbara Chamber of Commerce Finance Committee. Created a $30 million plus construction company and numerous smaller successful business enterprises.

Dudley E. Morris
Management consultant in the public and private sectors, former Vice President and a Managing Director for Computer Sciences Corporation and a founding partner of a leading national healthcare consulting firm. Areas of specialization include: strategic business planning, mergers/acquisitions, budget and finance, operations improvement, and capital facilities planning.

Robert Geis
Auditor/Controller of Santa Barbara County, elected in 1990. Provides services to the public, county agencies, school districts, and special districts. Background in government, private sector, management, and audit experience. Instrumental in assisting the County Executive Office in the implementation of the Santa Barbara County Performance Based Budget system. Office issues annual financial highlight reports; property tax, sales tax, and transient occupancy task highlight reports.

W. Scott Burns
Private mortgage investment banker and heads a commercial mortgage brokerage consulting firm. Provides an array of services in debt and equity financing – including commercial, industrial, and multi-unit projects in amounts from $500,000 to $15 million. Previously has served as vice president and senior loan production officer at George Elkins Mortgage Banking Company before deciding to launch his own firm.

City Council Liaison: Roger L. Horton, Councilmember, Finance Committee Chair

City Staff:
James L. Armstrong, City Administrator
Robert D. Peirson, Finance Director
Christine F. Andersen, Public Works Director
Paul A. Casey, Community Development Director
Jill Taura, Budget Manager
Kathy Kefauver, Administrative Analyst III
Lori Pedersen, Administrative Analyst

METHODOLOGY AND WORKPLAN

Based on the goals and objectives provided by the City of Santa Barbara, the Infrastructure Financing Taskforce adopted a nine month work plan to: review the City's plans to meet its capital needs, examine the capital budget and financing assumptions, make department site visits, review data of comparable California cities operations, and develop a series of findings and recommendations on how to strengthen Santa Barbara's infrastructure over the next decade.

During the regular meetings, City staff provided necessary background and data on operating and capital budgets. Department heads made presentations to the Taskforce and the Taskforce made site visits to most of the departments' priority capital projects.

The Taskforce relied on the UCSB Economic Forecast Project for the bulk of the economic and housing data projections.

The Taskforce interviewed the Mayor and City Council members to gain their input.

The Taskforce reviewed the following reports to gain input and perspective:

- The City of Santa Barbara Six Year Capital Improvement Plan 2008 – 2013;
- The City of Santa Barbara Two Year Financial Plan for Fiscal Years 2008 -2009; and
- The City of Santa Barbara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007.

The Taskforce reviewed comparative data on operations, finances and organizational structure of ten similar California cities to Santa Barbara, and conducted telephone interviews with senior management officials of several of the comparable cities.

The Taskforce was briefed by outside experts from the firms of Morgan Stanley, the City's underwriter for the airport financing; and HRA, a municipal finance firm based in Santa Monica, which advises the City on financial issues and on the tools and techniques used by other California cities to help meet their capital needs.

The Taskforce did original research based on its own experience, business and professional contacts, and drew on research and critiques from the University of Southern California (USC) Keston Institute for Infrastructure and reports from the League of California Cities to validate the findings and data supplied by the city administration, and assist in formulating and validating the Taskforce's conclusions.

EXECUTIVE SUMMARY

The City of Santa Barbara faces a critical challenge in the upkeep of its infrastructure during the next decade. This challenge is exacerbated by the nation's and California's current economic downturn, the decrease in the tax base caused by the slow or no-growth South Coast Economy, as well as the substantial and ongoing social problems (such as panhandling and gangs) which impact the City's key tourist industry and which have decreased Sales and Transient Occupancy Taxes (TOT) in 2008.

The City appears to be generally well managed and is in reasonable financial shape, despite the economic downturn, with low General Fund debt. The City has utilized Revenue Bonds or Certificates of Participation for Water and Wastewater projects that are repaid from water sales or utility taxes for the enterprise portion of capital needs. The mandated operating reserves for budget and disaster emergencies in Enterprise Funds are fully funded or funded in excess of policy reserve levels and General Fund reserves are funded at approximately 75% of the recommended 25% level set by the City Council.

The City has successfully invested millions of its own dollars, Redevelopment Agency funds and State and Federal grants, during the past decade in infrastructure projects. Past projects include the airport runway safety project, upgrading water and wastewater treatment, expanding downtown parking, upgrading buildings and infrastructure, improving sidewalks in the business district, and various other public works projects – ranging from new bridges to fixing potholes.

However, there remains more to be done. In fact, out of the $441.9 million of capital projects identified for FY 2008 – FY 2013, $145 million (or 33 %) is unfunded[1] mainly in key public services such as the Police, Fire, and Parks and Recreation Departments.

The City also has a substantial deferred maintenance backlog for General Fund facilities of approximately $19.1 – of which $11.9 million is unfunded, primarily in the Parks and Recreation Department. This backlog is growing by approximately $700,000 per year.

The City's infrastructure program has benefited greatly with the monies from Measure D and the Utility Users Tax (UUT) over the past several years which have given the City the ability to match funds to leverage state and federal grants and loans. For example, the City has been able to fund the replacement of the Cabrillo Boulevard and the Haley and De La Vina Streets bridges with only a 10% local contribution. Measure D and UUT have also provided 50% of the funds—approximately $7.2 million a year, to maintain streets and roads in good/safe driving condition.

1 "Unfunded" means there is no known source of funding projected in the budget.

Long Term Strategy

Maintaining and improving the City's infrastructure will require a combined approach of increased financial discipline and leadership. The City Council and City Administration will need to increase operational efficiency of all resources under the City's management, create new revenue enhancement efforts to build the City's tax base, and establish greater public knowledge and support for infrastructure needs and accomplishments.

The City's major infrastructure financing challenge is finding adequate resources to fund capital projects within the General Fund departments - particularly Library, Parks and Recreation, Fire, and Police. The financing of Streets infrastructure maintenance will also become a major capital issue if Measure A (which replaces Measure D) and Measure G, which renews and expands the UUT on telecommunications and video, are not passed in November 2008. The ballot measures are important since these measures provide 50% of the funds used to keep the City's streets and roads in safe, drivable condition, and the City has no replacement funds in sight. The City's Enterprise Funds appear to have adequate access to capital to fund their infrastructure needs and do not share the same financial challenges as the General Fund. The Internal Service Funds including the Information Systems Fund appear to have adequate capital financing since they draw funds from other departments.

Options for Closing Funding Gaps

Without some significant policy changes, the City of Santa Barbara will be challenged to maintain its infrastructure at the same level it has been able to over the past decade given the current economic environment. Clearly, there is no "silver bullet" to solve the infrastructure financing challenges. The City currently utilizes all the major financing tools used by other California cities for capital financing, although it relies primarily on Certificates of Participation, Revenue Bonds, Tax Allocation Bonds, and low interest State loans for long term Capital Infrastructure Financing.

Currently, the City has zero General Obligation debt, has not made use of Lease Revenue Bonds, which can be used to finance any facility that can be leased to a public agency, and has not proposed any sales tax increase to pay for capital improvements. The Taskforce recommends that the City should keep these tools on hand. The use of leverage appears appropriate with 6.93% of the City's non-capital budget being used for debt service, although in FY 2004 and FY 2005 the debt service was 8.88% and 8.71% respectively.

The City's sales and transient occupant taxes (TOT) are under pressure and given the current economic environment are likely to decrease. Property taxes appear to be secure, but unless the City is able to operate more efficiently, there will be limited, if any opportunity, to afford any additional debt for the General Fund.

As a result, the Taskforce has adopted a series of financial and management recommendations for the City Council and Administration, which are aimed at putting the City on a more fully funded basis for the General Fund capital projects and supporting the City's overall capital infrastructure long term.

Financing Recommendations

1. Revise Resolution No. 95-156 to commit the City to immediately increase efficiency of all the resources under its control by 2-3% annually, to free up additional funds for infrastructure needs. Review results at the end of the second year.

2. Revise Resolution No. 95-157 to commit the City to implement and achieve an annual 10% "off-the-top" General Fund capital allocation no later than FY 2012 to be spent annually for infrastructure projects or essential borrowing to core services based on increased revenue growth and operating efficiencies.

3. Revise the Capital Reserve requirements for Resolution No. 95-157 to 5% of the estimated replacement value of capital assets instead of book value; and the goal of the General Fund Capital Reserve shall be set at $5 million in addition to the 10% General Fund capital allocation.

4. Change the City's fiscal policies to fund accrued depreciation and facility renewal costs at replacement rather than book value for all municipal facilities.

5. Fully fund the annual facility renewal costs of approximately $2.1 million and conduct the work needed on a regular basis.

6. Assess the potential for adding a 0.5% local sales tax, either as a new funding source for critical infrastructure projects or to replace funds that my be lost from Measure A and Measure G if they are not approved.

7. Expand the use of public-private charitable partnerships, in support of key civic activities.

8. Explore the potential of securing greater cooperation between the public and private sector in the form of public-private partnerships or "performance-based infrastructure" (PBI) investments.

9. Establish fair market rates for all boating and slippage fees in the harbor that are both equivalent to similar southern California cities and sufficient to cover the full (direct and indirect) costs of providing marina services.

10. Use the General Fund to provide contingency backing for debt for various Enterprise Funds so long as it does not compromise the City's ability to borrow for General Funds' own infrastructure needs.

11. Explore options for collateralizing and bonding future revenue streams (such as the City's share of the State gasoline tax) as a means for providing funds for infrastructure improvements if other sources of revenue dry up.

12. Maintain the option of issuing new voter approved General Obligation Bonds to pay for major infrastructure projects.

Management and Policy Recommendations

1. Make the funding of a new Police Station and adequate Fire and Emergency disaster facilities the highest capital infrastructure priorities for the General Fund.

2. Designate the Waterfront Department as responsible for the operation, maintenance and support of all recreation, boating, and harbor activities to the east of Cabrillo Boulevard – including the operation of the Cabrillo Bathhouse, East Beach and associated facilities – thereby freeing up the General Fund to pay for other infrastructure improvements in the Parks and Recreation Department.

3. Reduce the City's operating costs and free up funds for infrastructure financing by: "sun-setting" underutilized and outdated programs; initiating a "zero based" budgeting process at least once every four to five years, closing, or leasing, or selling any of the 500,000 square feet of General Fund facilities that are not needed; and disposing of any surplus property that might have utility value and generate income if sold or leased. (An example where the City does this successfully is the leasing of City-owned property at the airport providing a stream of revenue to help the airport be self-sufficient.)

4. Renew and update Resolutions No. 95-156 and No. 95-157, which have provided guidance to the City's financial policy for more than a decade, to reflect current economic realities.

5. Implement a Management Information Report to enable the City Council to track and review progress on; reducing the deferred maintenance backlog, progress on securing financing for unfunded capital needs, and maintaining Capital Reserves, as well as monitoring progress on other recommendations in this report.

6. Upgrade the City's capital infrastructure budgeting process by developing a budget report similar to the University of California Santa Barbara reporting system for State Capital Improvements.

7. Enforce existing panhandling ordinances and develop a program (similar to other successful cities) to overcome the City's growing gang problem – both of which are a threat to the civility of Santa Barbara and its viability as a destination resort, which is key to maintaining the revenues which support infrastructure.

8. Develop an ongoing program that will educate the public on the fundamental importance of a well-maintained and adequately funded infrastructure – and ensure support for these policies.

9. Develop a detailed implementation plan for these recommendations by January 20, 2009, and report back to the Council twice a year.

Conclusion

The Taskforce concluded that the City has identified its important capital requirements, which reflects the City's major needs – however, a clear process for deciding among competing priorities has not yet been established. For example, public safety and emergency disaster control for the Police and Fire Departments are listed as being equivalent to restroom improvements in the Parks and Recreation Department. There is no differentiation; all are on the same list. In particular, there is a substantial list of facilities in the Parks and Recreation Department which would be desirable public amenities such as the Lower Mesa Lane Steps Replacement, the 1,000 Steps Replacement, the Oak Park Restroom Refurbishment, and the Los Positas Tennis Recreation Locker Room Project, which may need to be reconsidered since the funding will be both expensive and problematic.

The Taskforce recommends that the City should focus its General Fund infrastructure resources primarily on investments, which are essential to the continued health of the local economy, public safety, and community well-being – such as Fire and Emergency Disaster protection.

The Taskforce concluded that the City has been most successful in maintaining the Streets infrastructure, and the infrastructure embedded in various Enterprise Funds. The City has been less successful in maintaining public safety infrastructure – such as Police and Fire facilities. The City has also not been able to fully meet the resolutions mandate for adequate maintenance and orderly replacement of plant equipment. Not until very recently has the City been able to fully cost out the maintenance of new capital facilities. The Taskforce believes that while Resolution No. 95-156's mandates remain valid today, it needs to be reviewed in light of the City's current revenue stream (Appendix II).

The Taskforce believes that the Parks and Recreation Department needs to show more entrepreneurial leadership in involving the private sector. The Taskforce recognizes that the Parks and Recreation Department also provides many useful community services and is landlord to a substantial number of non-profit community service organizations, which do valuable work in the Eastside and Westside communities. The City needs to clearly define the priority it gives to community organizations in the Capital Budget since it doesn't have the resources to meet all the worthy infrastructure needs.

The Taskforce has concluded that given its current financial strength, the City Council and City Administration should take action now to solve Santa Barbara's infrastructure challenges rather than postponing the difficult decisions until a later date. If the City is able to muster sufficient discipline to better manage its capital budgeting process, the City has the potential of maintaining its infrastructure, increasing business tax base, and enhancing property values for taxpayers. If the City fails to act decisively now, it will face a far greater burden in the future and potentially undermine the growth of the local economy and the value of the community's homes and real estate.

CURRENT CONDITIONS

Currently, the City faces a critical economic challenge in having the resources necessary to support the city's infrastructure needs. To wit:

Demographics:

There is little or no population growth forecast for the South Coast, which will limit economic growth. Most population growth long term in the South Coast is projected in Goleta, Lompoc, and the unincorporated areas.

Net migration will be negative or a very small positive number. Population will age significantly with 27% of the population 60+ by 2040 as compared with 17% today, and 29% in the key 20-44 age bracket in 2040 as opposed to 36% today.

Policy makers' main challenge will be to achieve positive per capita growth assuming the flat population growth.

Santa Barbara Economic Forecast:

California's economy is volatile and the chaos in financial markets is likely to have disproportionate impact on the State.

The nation's recession is deepening and California's downturn is likely to be longer and deeper. California already faces the nation's most critical budget deficit coupled with political gridlock in Sacramento, which limits its ability to aid local infrastructure needs.

Santa Barbara County economics are in flux with a slowing economy in North County – the traditional economic growth engine – and steadier performance on the South Coast.

The County's unemployment rate has spiked in recent months, however, is still among the lowest and healthiest in the State.

The South Coast's economic growth rate, however, picked up slightly from 1.7% in 2004 and 2005 to 1.9% in 2006 and 2007.

The Santa Barbara County economy is projected to have about 1% real growth rate; and after population adjustments, a real per capita growth rate of only about 0.1%.

Real Estate:

The Santa Barbara South County residential real estate market performed well in 2007 compared to the North County and larger California market. Real median prices for new and existing homes declined 4.1% in the South County in 2007, and 15.9% in the North County. The combined County median price was, however, higher due to the mix of North and South Counties.

Single family home sales declined by 2.8% in the South County in 2007 and 31.8% in the North County (preceded by a 41%+ decline in 2006).

The housing sales will decline, or be flat, before returning to "normal" by 2010, but likely will not return to the rapid growth of 2000-2005.

Santa Barbara South County commercial market also performed significantly better than the North County in 2007. Vacancy rates are low – particularly in Santa Barbara – with only 3% of the City's commercial space available; occupancy rates for industrial space is above 99% while retail vacancy rates are approximately 1%. Commercial rental rates increased for all segments: office, retail, and industrial.

Employment and Economic Growth:

Santa Barbara County's economic growth rate was approximately 1.0% in 2006 and 2007 with a similar growth rate forecast for 2008.

Santa Barbara's tourism market should remain stable, so long as infrastructure is maintained to make this a desirable place to visit. Domestic and foreign travel should increase due to the weak dollar. Tourism should buffer the local economy from a major downturn if it is properly supported by the City and County governments.

The local agricultural markets in South County and Santa Ynez should remain stable.

Vandenberg Air Force base is adding new missions which will support the economy in the mid-county area.

UCSB and Cottage Health Systems, major employers in the City of Santa Barbara, will continue to pursue major capital improvements projects totaling nearly $1 billion and, therefore, provide additional jobs.

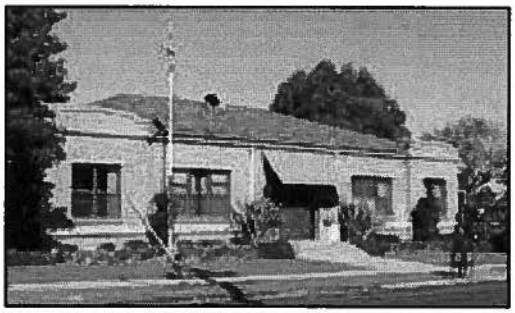
DESCRIPTION OF MAJOR INFRASTRUCTURE CAPITAL PROJECTS FY 2000 TO FY 2008

The City of Santa Barbara has invested approximately $150 million in infrastructure financing since FY 2000. All of these are projects totaling $100,000 or more in cost and reflect a substantial investment in projects such as street improvements, the airport, as well as improvements in pedestrian and bike improvements.

The Airport Capital Improvement Projects including taxiways, runways, terminal improvements, and safety projects, have totaled $52.6 million – nearly a third of the total the City has spent.

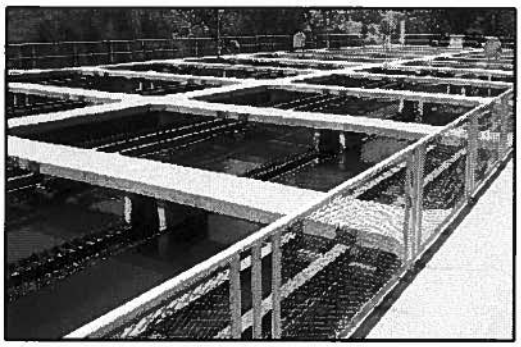
Approximately $7 million has been spent on fire station improvements to remodel and seismically upgrade Fire Station No. 1. Renovation included a separate dormitory and restroom/shower/locker facilities, replacement of old and inadequate utility infrastructure while upgrading accessibility, energy efficiency, and security.

Approximately $6 million has been invested in Parks and Recreation facilities, including the Golf Course.



The $15 million Sheffield Reservoir improvement which resulted in the creation of two secured $6.5 million potable water reservoirs buried under a natively landscaped 20-acre public space.

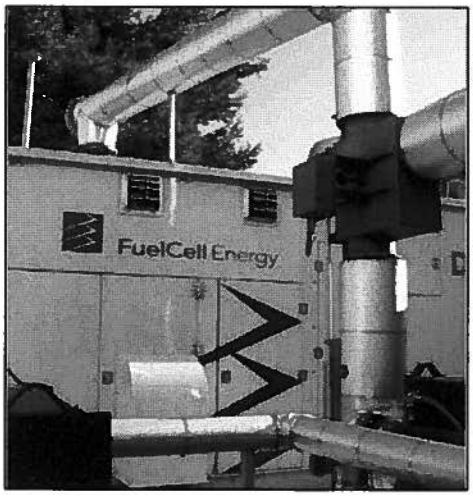
The $21 million Cater Water Treatment Plant upgrades were used to meet regulatory drinking water requirements.



Annual pavement overlay and repairs to City streets totaling $18 million.

Downtown Sidewalk Improvement comprised of new brick sidewalks, updated street furniture, and lush landscaping in the 400 through 1200 blocks of State Street, which was approximately $9 million.

El Estero and Sewer Improvements – Installation of a co-generation project to provide electricity for El Estero and mechanical equipment and replacement of piping throughout the plant.



SANTA BARBARA CAPITAL INFRASTRUCTURE REQUIREMENTS FY 2008 – FY 2013

Approximately $296 million of the budget's capital projects have identified funding sources (Table 1) – although some are only in the planning and feasibility stage with permanent funding yet to be identified. This represents a substantial commitment on the part of the City to meet its infrastructure and "quality of life" needs over the next six years. The City has been successful in piecing together funds from a variety of sources including the State and federal government, Measures B and D, Utility Users Tax, and monies from the General Fund to pay for many infrastructure improvements.

The City organizes operating and capital budgets into Enterprise, General, and Special Revenue Funds. Enterprise departments have dedicated revenue streams, are primarily "self-supporting" by charging residents/users for their services, and have the ability to raise rates when needed.

Approximately $146 million of infrastructure projects – 33% of the identified needs – are unfunded. This represents a major challenge for Santa Barbara given the current economic recession. The identification of unfunded capital projects was new in the FY 2008 – FY 2013 capital budgeting process; however, there has been no specific system of prioritization established for funding capital projects.[2]

Currently, the City's prioritization includes mandated projects such as Americans with Disabilities Act (ADA) access, safety issues, and grant conditions, as well as "addressing needs" which are broad. None of the unfunded projects included in the capital budget document are ranked or evaluated. Developing a more coherent policy for prioritizing capital projects is a key responsibility of the City Council and it is likely that not all of the unfunded capital needs have been identified at this point.

The City estimates $86.8 million out of a total of $104.3 million in the General Fund FY 2008 – FY 2013 Capital Improvement Program (CIP) budget is unfunded – or approximately 83% of the total needs for the General Fund. Approximately 97% of the Police Department capital budget is unfunded, including $44 million for a new Police headquarters building. Seventy percent of the Fire Department capital budget is unfunded, including $6.5 million for a City/U.S. Forest Service shared facility at Fire Station No. 7 and $5.9 million for additional renovation work at Fire Station No. 1.

General Fund capital expenditures are less than $2 million a year, a small portion of the total needed, putting particular pressure on the capital requirements of core General Fund services such as Library, Police, Fire, and Parks and Recreation.

The Public Works Department accounts for approximately 62.1% of the capital budget with 22% for street potholes, highway, and bridge replacements – basic infrastructure projects which are key to the City's quality of life and economic well being. The Airport, which is a self-funded Enterprise Fund, accounts for 18.3% of the CIP budget; Water, 15%; Police, 10.5% (although 96.8% is unfunded); Fire, 4.1% (70.6% unfunded); and Parks and Recreation, 10.5% (73% unfunded).

2 "New" to the degree that unfunded items are listed rather than just left out of the capital budget because there is no identified funding source.

TABLE 1: Six -Year Capital Program FY 2008 to FY 2013

City of Santa Barbara

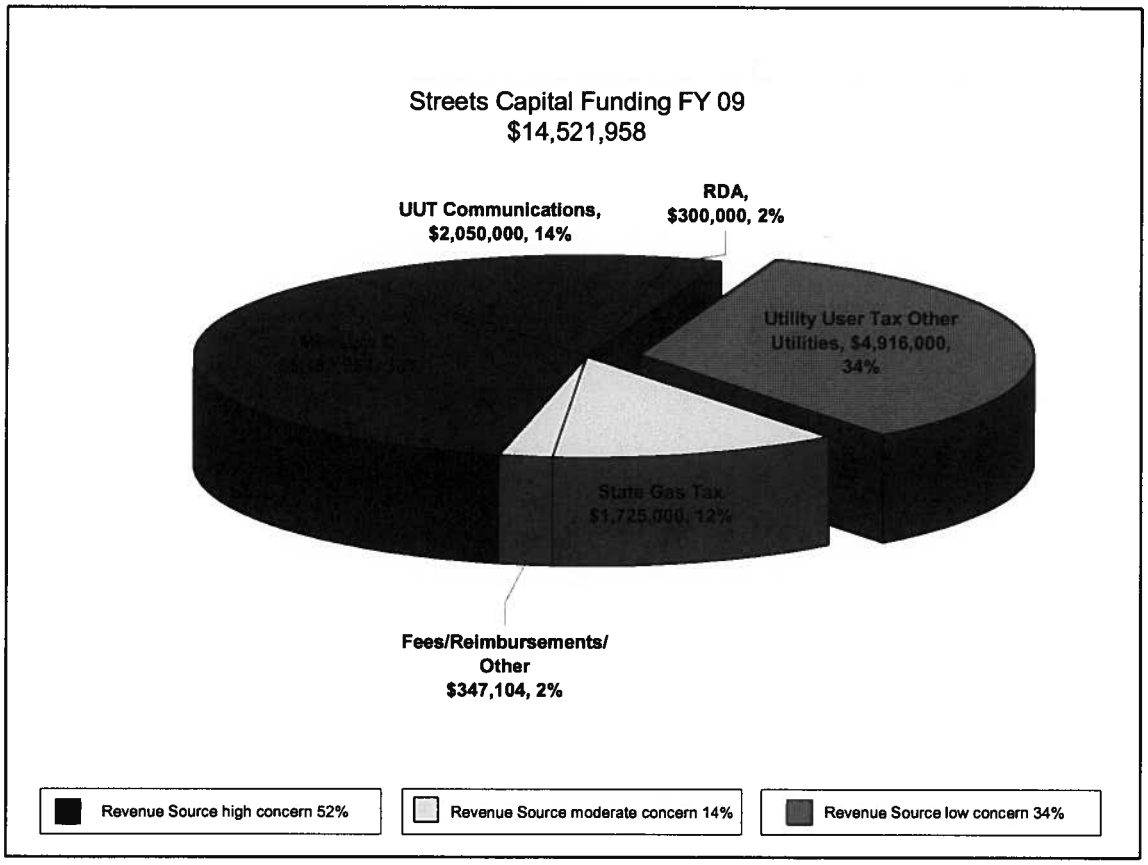
6-Year CIP Totals By Fund and Department

	Total Capital Need		Unfunded	
	In millions	% of Total Capital	In millions	% of Dept Total
GENERAL FUND BY DEPT				
Administrative Services	$ 0.11	0.02%	$ 0.11	100.00%
Community Development	$ 2.85	0.64%	$ 2.35	82.46%
Fire	$ 18.16	4.11%	$ 12.81	70.55%
Library	$ 1.78	0.40%	$ 0.90	50.45%
Parks & Recreation	$ 32.73	7.41%	$ 25.84	78.96%
Police	$ 46.27	10.47%	$ 44.83	96.89%
Public Works	$ 2.43	0.55%	$ -	0.00%
SUBTOTAL GENERAL FUND	**$ 104.32**	**23.60%**	**$ 86.84**	**83.24%**
OTHER CITY FUNDS BY DEPT				
Administrative Services				
Information Systems Fund	$ 3.05	0.69%	$ -	0.00%
Airport				
Airport Fund	$ 81.22	18.38%	$ -	0.00%
Parks & Recreation				
Creeks Fund	$ 13.00	2.94%	$ -	0.00%
Golf Fund	$ 1.54	0.35%	$ -	0.00%
Parks & Recreation Subtotal	$ 14.54	3.29%	$ -	0.00%
Public Works				
Downtown Parking Fund	$ 11.02	2.49%	$ 3.25	29.51%
Intra-City Services (ICS) Fund	$ 21.74	4.92%	$ -	0.00%
Measure D / A Fund	$ 5.71	1.29%	$ -	0.00%
Streets Fund	$ 97.20	21.99%	$ 48.59	49.99%
Util. Undergrounding Fund	$ 5.38	1.22%	$ -	0.00%
Wastewater Fund	$ 20.15	4.56%	$ -	0.00%
Water Fund	$ 66.75	15.10%	$ 7.30	10.94%
Public Works Subtotal	$ 227.94	51.57%	$ 59.14	25.95%
Waterfront				
Waterfront Fund	$ 10.90	2.47%	$ -	0.00%
SUBTOTAL OTHER FUNDS	**$ 337.64**	**76.40%**	**$ 59.14**	**25.95%**
CITYWIDE TOTAL	**$ 441.97**	**100.00%**	**$ 145.98**	**33.03%**

Santa Barbara is facing major funding issues on several fronts, challenging its ability to fund infrastructure requirements. These include:

- The expiration of Measure D and the possibility that its replacement, Measure A, will not be passed – creating a $5 million a year hole in the infrastructure budget and a $100 plus million infrastructure revenue reduction over the next 30 years.
- Judicial challenges statewide to the telephone Utility Users Taxes. If successful and Measure G is not passed, this would leave an additional $4.5 million a year hole in the infrastructure budgets. Together with Measure D, these taxes account for 50% (Chart 1) of the funds used for annual street maintenance and maintaining City streets at acceptable driving levels.

CHART 1: Streets Capital Funding FY 2009



- The "sunset" of the City's Redevelopment Agency in 2015. The Redevelopment Agency has been the major engine for capital development for downtown Santa Barbara and has provided $52 million of capital for City projects since FY 2000. Important development projects included Paso Nuevo, State Street sidewalks, State Street/Cabrillo Boulevard pedestrian crosswalks, the Granada Theater and Granada Garage renovation, Mission Creek flood control enhancements, Fire Station No.1 remodel, the restoration of the El Presidio and other worthy projects.

- Parks and Recreation manages a diverse and unique park and recreation system, which provides citizens and visitors with clean and safe open spaces,

parks, beaches, recreation programs and facilities. Over 90,000 youth and teens participated in a variety of Santa Barbara's Parks and Recreation Department programs during FY 2008 (the number reflects individual attendance - a single individual may attend several programs during a year). In addition to these activities, the Department fills an important community service role by collaborating with many youth serving non-profit community organizations and agencies. This important community support assists these groups to provide programs that focus on positive, constructive, and safe environments for Santa Barbara's youth and teens to grow and mature. The Department supports these groups by providing facilities, and sharing resources to reach more youth and teens across the City. The Department is also responsible for managing the Creeks Restoration and Water Quality Improvement Program.

Despite the City's challenges, the Taskforce did not find that Santa Barbara's capital crunch is unique since most California cities are in the same economic boat. USC's Keston Institute for Infrastructure concluded in an April 2006 report that, "the ability of California's state and local governments to provide and maintain adequate levels of civil infrastructure has been strained by sustained, rapid population growth and a variety of fiscal constraints including voters' reluctance to tax themselves for public works."[3] The Taskforce concluded the same is true today, but more so since Santa Barbara adopted a $441 million capital plan for FY 2008 – FY 2013.

Facilities Renewal Resource Model (FRRM)

The City has newly implemented a Facility Renewal Resource Model (FRRM), which is a computerized, life-cycle of building costs model – similar to the system used by the University of California to track its building replacement costs. The model requires a substantial investment by City staff to enter building details into the system; but when those are entered, the age and character of building systems (roof, windows, heating/ventilating/air conditioning, floors, walls, lighting, elevators, etc.) are evaluated to determine when they should be replaced and what the cost of replacing them might be. Unlike straight-line depreciation which simply calculates an amount based on the original total building cost, the FRRM shows the cost of individual elements over a multi-year period.

This system indicates that there is a current deferred maintenance backlog of $19.1 million in the General Fund (Chart 2), and a balance of $11.9 million – after factoring in $7.2 million in current projects – for Fire, Police, and the Carrillo Recreation Center renovation (Table 2).

3 Keston Institute Infrastructure White Paper, April 2006

CHART 2: Deferred Maintenance Backlog

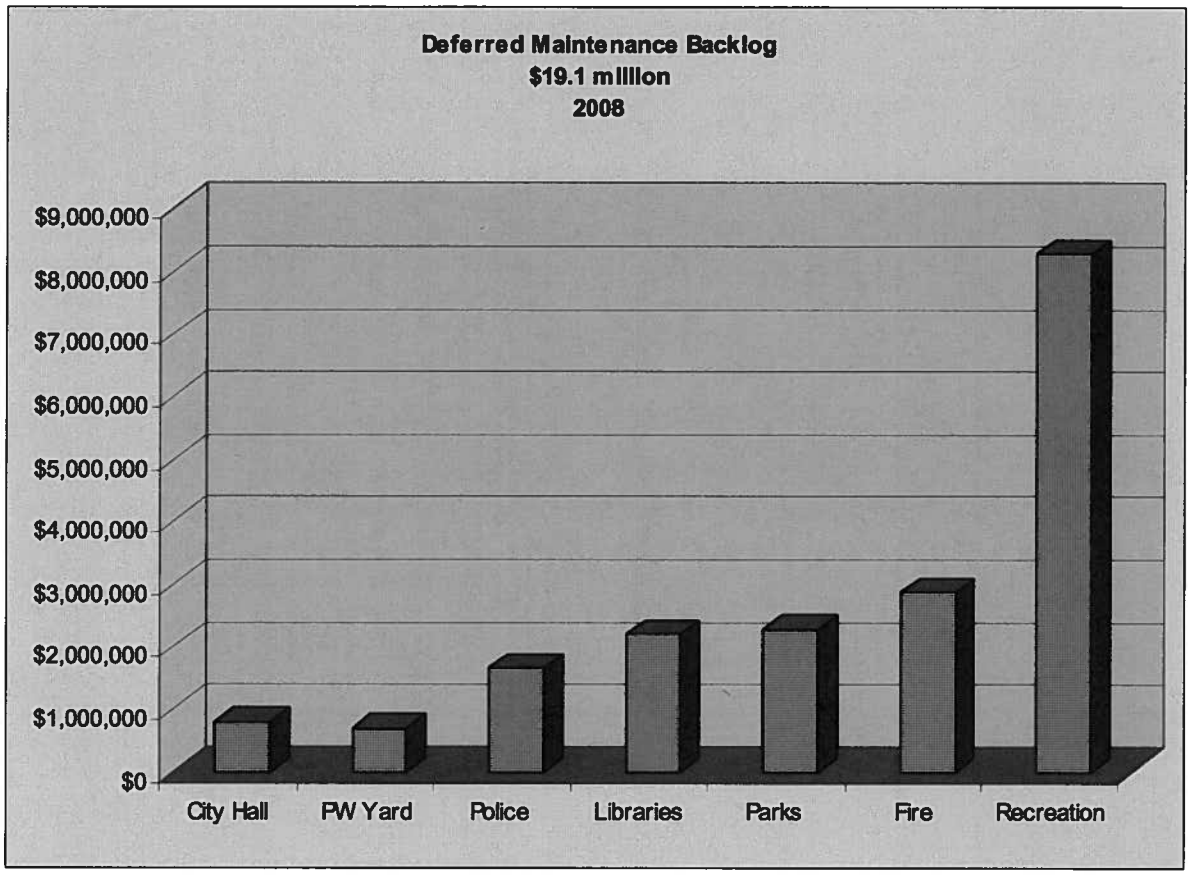


TABLE 2: Impact of Current Capital Projects on Deferred Maintenance ($000)

Project	*Current Capital Projects*	*Deferred Maintenance Balance*
		$19,108
Fire Station No. 1 Renovation	$2,167	$16,941
Fire Station No. 1 Storage	$268	$16,673
Police Station Renovation	$1,598	$15,075
Carrillo Recreation Renovation	$3,170	$11,905
Total	**$7,203**	**$11,905**

CHART 3: Average Annual Facility Renewal Costs

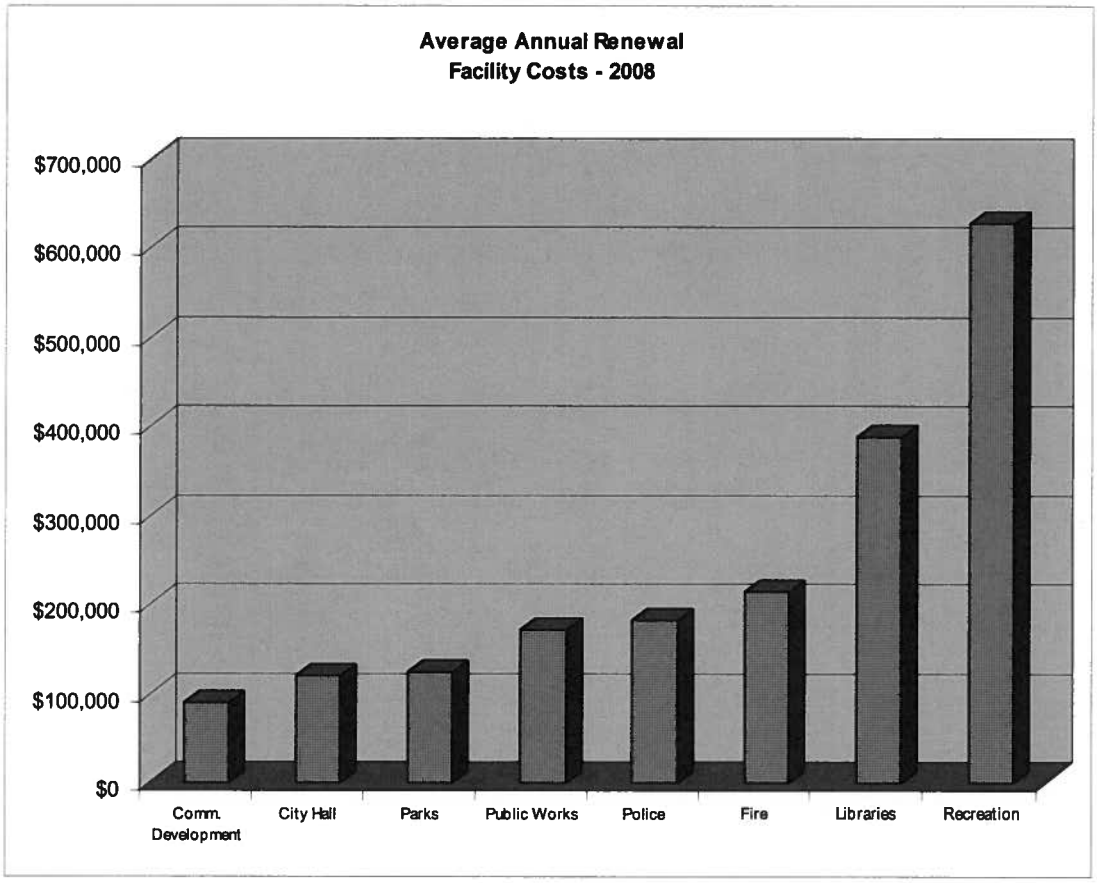


TABLE 3: Average Annual Facility Renewal and Infrastructure

Department	Facility Renewal	Infrastructure	Total
City Hall	$120	$4	$124
Comm. Development	$90	$5	$95
Fire	$214	$12	$226
Libraries	$389	$4	$393
Public Works	$171	$16	$187
Parks	$125	$99	$224
Police	$182	$4	$186
Recreation	$628	$21	$649
Grand Total	**$1,919**	**$165**	**$2,084**

The FRRM projects that Santa Barbara has annual renewal costs of approximately $2.1 million but currently budgets $1.4 million – leaving a $700,000 gap in FY 2008 dollars (Table 3). The Taskforce recommends fully funding the annual renewal costs of $2.1 million and conducting the work needed on a regular basis.

The City has been sensible in fully funding depreciation on equipment on a regular basis over the past several years, which provides for regular equipment and fleet stock replacement for General Fund departments such as Library, Police, Fire, and Parks and Recreation.

The City's funding of financial reserves, however, has been limited over the past few years putting the City in the situation of having to run harder to build adequate capital reserves to meet its own fiscal policies as outlined in Resolutions No. 95-156 and No. 95-157. Moreover, while the City has introduced commendable budgeting policies for the replacement of its rolling stock fleet on a five year basis, a similar accrual system for maintenance of over 500,000 square feet of office maintenance or storage facility buildings has not yet been implemented.

The City of Santa Barbara needs to increase its capital expenditures by approximately $24 million annually over the next six years to satisfy the overall capital budget requirements which have been identified.

Evaluation of Capital Infrastructure Requirements by Department

Based on the Six-Year Capital Program FY 2008 – FY 2013 and information presented to the Taskforce the following table (Table 4) evaluates:

- Current Facility Assessment – current condition of the facilities;
- Capital Infrastructure – need for additional facilities or investments;
- Adequacy of Funding – funding available for capital infrastructure needs; and
- Building System Maintenance – ongoing infrastructure maintenance needs.

The Enterprise Funds are able to generate funds by raising user fees and are shown separately to accurately reflect this distinction. Additional information regarding the evaluation ratings is located in Appendix I.

It should be noted that the City is in the process of developing the FY 2010 – FY 2015 CIP to be released in 2009 and this information was not reviewed in this report.

TABLE 4: Capital Infrastructure Evaluation
Based on 2008 – 2013 Capital Program Values

KEY: ● High Level Of Concern | ▽ Moderate Level Of Concern | ■ Low Level Of Concern

Capital Programs Status		Current Facility Assessment	Capital Infrastructure	Adequacy of Funding	Building Systems Maintenance
General Fund					
Police	**Millions**				
Estimated Capital Needs (funded):	$1.44	●	●	●	●
Estimated Capital Needs (unfunded):	$44.83				
Estimated Capital Needs (2008-2013):	$46.27				
Deferred Maintenance:	$1.66				
Parks and Recreation					
Estimated Capital Needs (funded):	$6.89	●	●	●	●
Estimated Capital Needs (unfunded):	$25.84				
Estimated Capital Needs (2008-2013):	$32.73				
Deferred Maintenance:	$2.30				
Fire					
Estimated Capital Needs (funded):	$5.35	▽	▽	●	▽
Estimated Capital Needs (unfunded):	$12.81				
Estimated Capital Needs (2008-2013):	$18.16				
Deferred Maintenance:	$2.88				
Community Development					
Estimated Capital Needs (funded):	$0.50	■	■	▽	▽
Estimated Capital Needs (unfunded):	$2.35				
Estimated Capital Needs (2008-2013):	$2.85				
Deferred Maintenance:	$0.28				
Public Works (General Fund Facilities)					
Estimated Capital Needs (funded):	$2.43	●	●	●	●
Estimated Capital Needs (unfunded):	NI				
Estimated Capital Needs (2008-2013):	$2.43				
Deferred Maintenance: $714,000	$0.72				
Library					
Estimated Capital Needs (funded):	$0.88	▽	●	●	●
Estimated Capital Needs (unfunded):	$0.90				
Estimated Capital Needs (2008-2013):	$1.78				
Deferred Maintenance:	$2.20				
Administrative Services (Human Resources & City Clerk)					
Estimated Capital Needs (funded):	$0.00	■	▽	▽	▽
Estimated Capital Needs (unfunded):	$0.11				
Estimated Capital Needs (2008-2013):	$0.11				
Total All General Fund Programs	**Millions**				
Estimated Capital Needs (funded):	$17.48				
Estimated Capital Needs (unfunded):	$86.84				
Estimated Capital Needs (2008-2013):	$104.32				
Risks: Reduced services in Library, Parks, Police, Fire					

Redevelopment Agency		Current Facility Assessment	Capital Infrastructure	Adequacy of Funding	Building Systems Maintenance
Estimated Capital Projects (2008-2013 funded):	$52.20	▽	●	●	●
	$0.00				
Estimated Capital Projects Funded (2008-2013):	$52.20				
Risks: State raid of funds: statutory cap on RDA, expires 2015					

Non-General Fund		Current Facility Assessment	Capital Infrastructure	Adequacy of Funding	Building Systems Maintenance
Administrative Services					
Information Systems Fund	**Millions**				
Estimated Capital Needs (funded):	$ 3.05	■	▽	▽	■
Estimated Capital Needs (unfunded):*	$ -				
Estimated Capital Needs (2008-2013):	3.05				
Risks: None					
Airport					
Airport Fund					
Estimated Capital Needs (funded):	$81.22	▽	■	■	■
Estimated Capital Needs (unfunded):	NI				
Estimated Capital Needs (2008-2013):	$81.22				
Risks: Minimal					
Parks and Recreation					
Creeks Fund					
Estimated Capital Needs (funded):	$13.00	■	■	■	■
Estimated Capital Needs (unfunded):*	NI				
Estimated Capital Needs (2008-2013):	$13.00				
Risks: Minimal. Prop B & Grant Funded. Subject to economic trends					
Golf Fund					
Estimated Capital Needs (funded):	$1.54	■	■	■	■
Estimated Capital Needs (unfunded):*	NI				
Estimated Capital Needs (2008-2013):	$1.54				
Risks: Minimal. Enterprise Fund. Subject to Economic trends					
Public Works					
Downtown Parking					
Estimated Capital Needs (funded):	$7.77	▽	■	▽	▽
Estimated Capital Needs (unfunded):*	$3.25				
Estimated Capital Needs (2008-2013):	$11.02				
Risks: Economic Sensitivity					
Intra-City Service (PD, P&R, Vehicles, CH)					
Estimated Capital Needs (funded):	$21.74	▽	▽	▽	▽
Estimated Capital Needs (unfunded):*	NI				
Estimated Capital Needs (2008-2013):	$21.74				
Risks: Subject to economic trends					
Streets					
Estimated Capital Needs (funded):	$48.61	▽	●	●	●
Estimated Capital Needs (unfunded):*	$48.59				
Estimated Capital Needs (2008-2013):	$97.20				
Risks: Measure A, UUT, State borrowing					
Utility Undergrounding Fund					
Estimated Capital Needs (funded):	$5.38	N/A	■	N/A	N/A
Estimated Capital Needs (unfunded):	N/A				
Estimated Capital Needs (2008-2013):	$5.38				
Risks: Costs to City incurred if Underground Utility District does not go forward following analytical & economic studies.					
Water					
Estimated Capital Needs (funded):	$59.45	■	■	▽	■
Estimated Capital Needs (unfunded):	$7.30				
Estimated Capital Needs (2008-2013):	$66.75				
Risks: Minimal. Enterprise Fund.					
Wastewater					
Estimated Capital Needs (funded):	$20.15	■	■	■	■
Estimated Capital Needs (unfunded):	NI				
Estimated Capital Needs (2008-2013):	$20.15				
Risks: Minimal. Enterprise Fund					
Waterfront					
Waterfront					
Estimated Capital Needs (funded):	$10.90	■	▽	▽	▽
Estimated Capital Needs (unfunded):	NI				
Estimated Capital Needs (2008-2013):	$10.90				
Risks: Grant funding for dredge work					

N/I =Not Identified in 2008 -2013

CRITICAL UNFUNDED INFRASTRUCTURE NEEDS

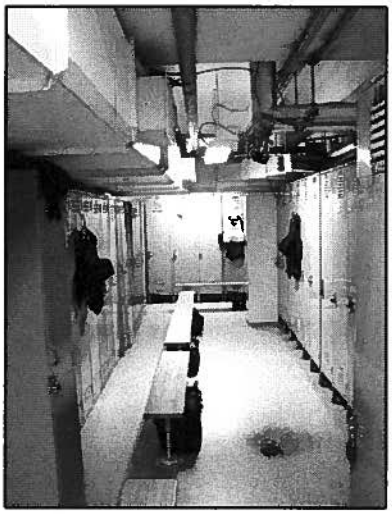
Based on site visits to various facilities, the Taskforce found there are several major infrastructure needs which stick out like "sore thumbs" and are critical to quality of life and Santa Barbara's well being. The major infrastructure needs include:

Police Department

Police Station Facility
The Police Station is a dilapidated, negative work environment, which should be completely replaced. Currently, there is an acute shortage of space and overcrowding. The need for a new building has been an on-going problem for the past 25 years and is only getting worse with time.

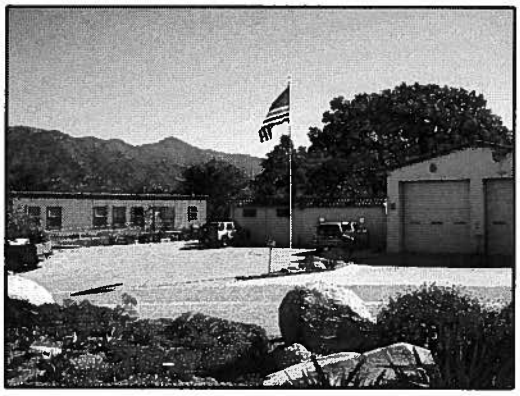
Emergency Operations Command Center
The Emergency Operations Command Center is located in cramped quarters in the Police Department and does not appear to be scaled to handle a major disaster. If an emergency were to arise, extra time would be needed to transport all the necessary equipment to the site and set it up. With no location to provide to the media as a communication center, the ability to get on with coordination of emergency activities is compromised.

Police Locker Rooms
Police Headquarters' locker rooms and exercise rooms are rundown and do not function efficiently. Necessary upgrades include providing new locker/exercise rooms with new lockers, ADA compliant restrooms and showers, and necessary utility work to provide clearance. The inclusion of electrical equipment upgrades is essential to handle the increased plug loads from radios, cell phones and other devices that require charging.



Fire Department

Fire Station Upgrades



Fire Station improvements, repairs and replacements are necessary to extend the useful life of the City's fire stations. These changes include: parking area asphalt/concrete replacement, re-roofing, gas/diesel tank removal/replacement, installation of energy efficient windows, ADA accessible bathrooms, and the installation of fire sprinklers.

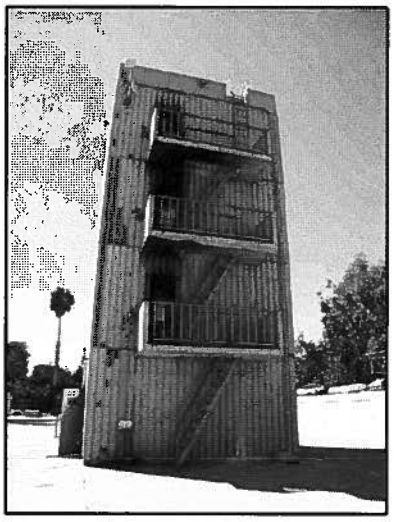
Combined Facility Replacement

A combined fire facility replacement is necessary to house City Engine No. 7 and U.S. Forest Service Engine 46 at the current site that Fire Station No. 7 and the Forest Service's modular building now occupy. For the past three years both agencies have benefited from the increased staffing levels and capabilities these two crews have provided the community. The existing building was built in 1951 and was not designed to meet the current intensified uses.

Regional Training Facility Enhancements

The Fire Department currently operates a fire training facility at 30 South Olive Street in downtown Santa Barbara. The facility includes a classroom, storage buildings and various fire props used to teach fire personnel various skills needed for firefighter knowledge and certification.

Although the training facility is currently equipped to offer many various training opportunities, as evidenced in its daily use, it does not have the props, equipment, or site areas to fulfill many of the core training needs in the field of HAZ-MAT, Urban Search and Rescue, and basic "In-Service" training.

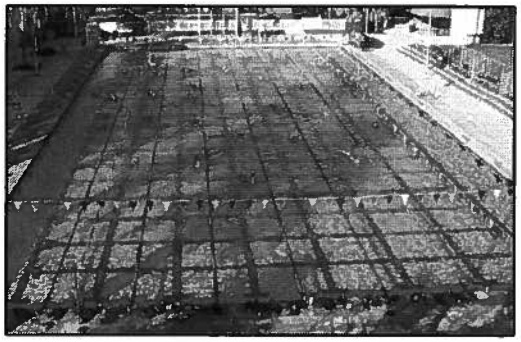


The current training props and programs offered at the facility are in need of replacement and updating to accommodate some of the new firefighter training requirements. The proposed modifications outlined in the 2007 Santa Barbara Fire Department Fire Training Facility Master Plan will create more realistic scenarios that firefighters many expect to encounter in real world applications.

Parks and Recreation

Municipal Tennis Facilities

Rehabilitation of the 1930's Municipal Tennis Court Building. This includes the wooden stadium, locker rooms, showers, restrooms, offices, and customer service area is needed. The project also includes improvements to landscaping and the irrigation system.

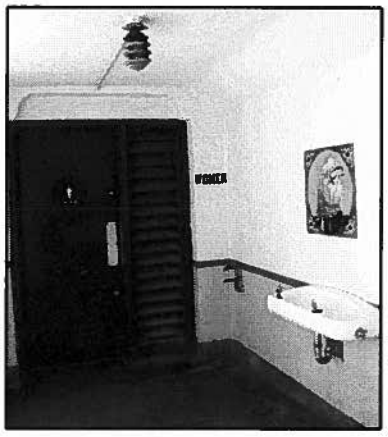


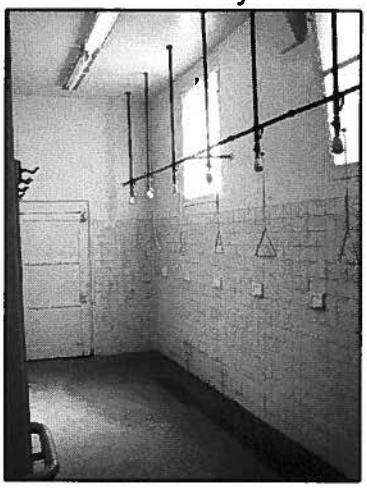
Aquatics Facility

Los Baños Pool, the City's only competitive pool facility does not meet the current demand for recreational, instructional and competitive swim programs. Program growth has been limited by lack of pool space. It has been a Council goal to build a new swimming pool and aquatic complex to meet the community's demand for expanded pool use.

Cabrillo Bathhouse

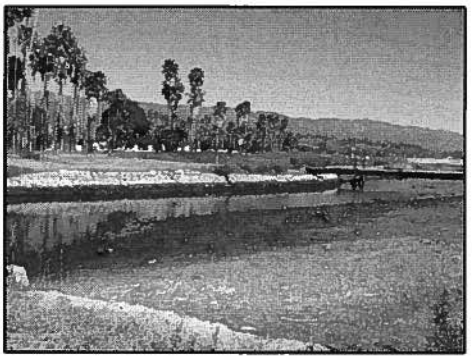
The Cabrillo Bathhouse was a community jewel in the 1930's when it was built but is now in sad disrepair and in need of substantial capital investment. The layout of the facility is inefficient and outdated, requiring a complete renovation of the entire downstairs. Renovation includes locker rooms, showers, restrooms, storage rooms, weight rooms, lobby area, offices and customer service areas. Also, new windows are essential to improve ventilation along with a reorganization of space for more efficient operation.

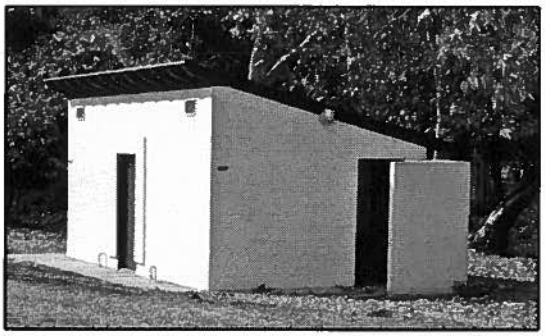




East Beach

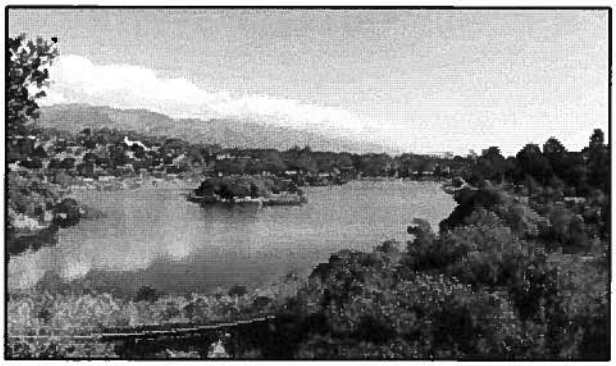
East Beach, the gateway to Santa Barbara, is often dirty and a source of complaints from visitors due to the lack of maintenance. Issues include poor water quality, lack of native vegetation and public health and safety concerns when Santa Barbara residents and visitors visit East Beach. East Beach requires a project that develops a management program that includes restoration and water quality improvements.





Oak Park
Renovation of the Oak Park Sycamore Area is desirable. It does not meet ADA standards and requires redesign and modification. Extensive structural work and expansion of the men's and women's restroom facilities is also needed.

Andree Clark Bird Refuge and Weir Gate Plan
The Bird Refuge sedimentation and Weir Gate Plan includes excavating the sediment from the Bird Refuge, thus eliminating the noxious odors and making the Zoo a more pleasant place to visit. The existing Weir Gate, which keeps Bird Refuge water from exiting into the ocean, is corroded and repair or replacement needs to be addressed.



Westside Center Rehabilitation
Improvements to the Westside Center will help meet the needs of the surrounding neighborhood – providing a modern design to revitalize the Center's aesthetics, efficiency and maximize revenues from rental space. A remodel would also include ADA upgrades and new electrical and ventilation system upgrades to bring all features up to Building Code requirements.

Library

Partial Roof Replacement
The Library roof is approximately 15 years old and has begun to deteriorate, causing leaks during the rainy season.

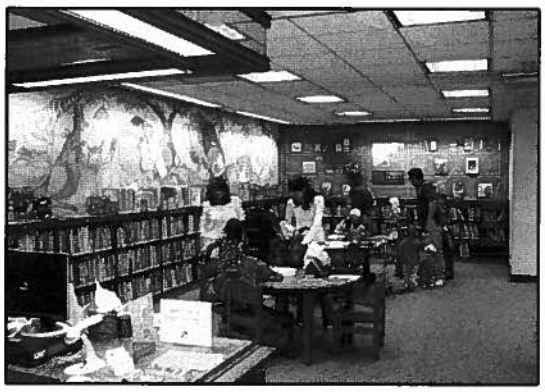
Roof Terrace
Patio decking is made out of rubberized squares that have shrunken with time, pulled apart and warped, creating safety/trip hazards. Building maintenance determined the deck was not repairable and the public should not be allowed to use the area so the deck has been closed.

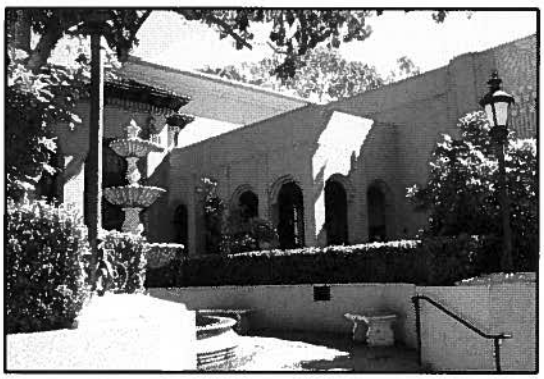
Fire Alarm System

Installed when the building was renovated in 1980, the fire alarm system causes frequent false alarms and does not give the Fire Department and the alarm company the data to determine where problems exist. Newer models are digitized and give more consistent and accurate information.

Carpet

The majority of the carpet has not been replaced since its original installation eighteen to twenty years ago. The entryways and other portions of the carpet have been replaced piecemeal resulting in a patchwork of different carpets. Wear and tear of high traffic areas such as the galleries has resulted in shabby carpets that can never be completely cleaned and free of spots.





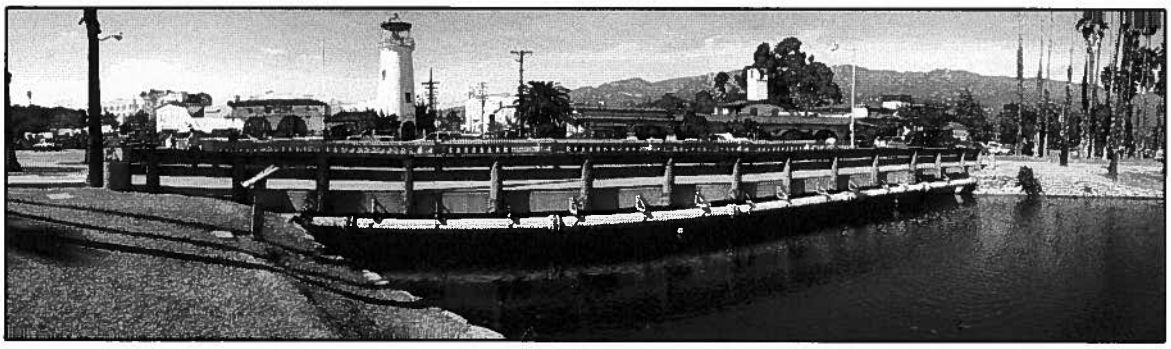
Landscaping

Planted when the library was renovated in 1980, the landscaping was designed for a time when the library and the community had different needs. With updated landscaping, the library would hope to eliminate walls and create an open inviting space that will act as a plaza and a transition space between the library, La Arcada, and the museum. There has been some discussion about collaborating with the museum in using some of the space as a sculpture garden.

Public Works

Improvement is needed to city streets, including slurry seal, asphalt overlay, and reconstruction to sustain and enhance driving surfaces.

The Mission Creek Bridge at State Street and Cabrillo Boulevard is in need of replacement due to structure deficiency and deteriorating conditions.



This list is not inclusive but does point out how much work the City will have to do to "Keep Santa Barbara in Shape."

CITY OF SANTA BARBARA REVENUES

The City is projecting approximately a 1.3% overall growth in key revenues from $66.6 million to $67.5 million for the General Fund. Also, an overall increase in the operating budget is expected from $105 to $109 million (or about 4.2%) from FY 2008 to FY 2009. These projections can, obviously, be impacted by the general economy. Due to $4.1 million in adjustments to offset the lower than expected growth in revenues, the City Council adopted a budget for FY 2009 that is balanced on both an operating and capital basis.

TABLE 5: Summary of Key General Fund Revenue Estimates

CITY OF SANTA BARBARA
Summary of Key General Fund Revenue Estimates (and Growth Assumptions)

	FY 2007 Actual	Act. Growth %	FY 2008 Estimate	Est. Growth %	FY 2009 Estimate	Est. Growth %
Sales Tax	$ 20,210,822	0.7%	$ 21,189,900	4.8%	$ 20,759,000	-2.1%
Property Tax	21,040,618	11.9%	21,985,200	4.5%	23,306,000	6.0%
Transient Occupancy Tax	12,840,767	6.7%	13,581,500	5.8%	13,334,000	-1.8%
Utility Users Tax	6,566,440	5.7%	6,846,800	4.3%	6,966,000	1.7%
Franchise Fees	2,812,296	7.9%	2,968,600	5.6%	3,095,400	4.3%
	$ 63,470,943		$ 66,572,000		$ 67,460,400	1.3%

Special and Capital Fund revenues are projected to grow by approximately $11.8 million between FY 2008 and FY 2009, largely due to an increase of $10.5 million in the Public Works streets revenues, which will increase primarily because of budgeting State and federal grants for streets capital projects.

Enterprise Funds capital expenditures will shrink from $48.7 million to $36 million in FY 2009, largely due to the completion of Airport safety and runway improvements funded by FAA grants, but will increase again in FY 2010 after the $60 million borrowing for the new terminal has been secured.

The overall City budget will be nearly flat between FY 2008 and FY 2009. However, the budget will increase approximately 1.2% from $245.9 million to $248.8 million; substantially less than inflation. Long range, the overall budget will continue to grow with the General Fund expenditures rising from $108 million in FY 2009 to $116.7 million in FY 2011.

The City has currently funded, or funded in excess of policy levels, the 25% reserve policy in Enterprise Funds and Special Revenue Funds. Reserves in the General Fund, however, will remain essentially flat between FY 2009 and FY 2011 and will be $9.2 million – some 29% below policy, based on the amounts adopted in the Two-Year Financial Plan for Fiscal Years 2008 – 2009.

The capital budget for Santa Barbara will decrease from $48.7 million to $47.8 million between FY 2008 and FY 2009, largely due to the completion of Airport capital improvement projects. The General Fund Capital budget will increase from $1.6 million to $1.8 million or 1.8%, but less than the rate of inflation.

No significant improvement in City revenues or CIP financing is likely in the current economic environment. New revenue enhancement initiatives or rate increases will be required if the City is to make progress on CIP initiatives, together with ongoing efforts to improve operations efficiency.

INFRASTRUCTURE FINANCING MECHANISMS

City Council Resolution No. 95-156 and No. 95-157 established policies for reserves in 1995, mandating that each operating fund establish a capital reserve funding at least 5% of its capital assets, or an amount equal to the average of the three previous years capital budget. The General Fund capital reserve was set at $1 million, which is inadequate for the City's current needs.

Overview of Fund Revenues

Additional revenue streams for Enterprise Funds can be used to underwrite bonds as well as securing contingency backing from the General Fund, which secures better bond ratings for capital projects (e.g., the Airport fund bonds for the new terminal).

General Fund departments are dependent, for the most part, on grants and tax dollars, and must use revenues from the General Fund revenues to pay for any bonds they issue. Taxpayer approval is required to raise taxes to pay for any new debt. The City has a solid General Fund balance sheet and only $3 million in debt, which will be paid off in FY 2017 and has the ability to borrow. However, the City's ability to borrow is limited by its inability to pay for new debt out of the General Fund operating budget since it is now fully spent each year.

Special Revenue Funds include housing, solid waste, streets program, creeks restoration, water quality improvement, and various transportation activities. Special Revenue Funds are paid for from state and federal grants, bond funds, loans, billings and fees. Special Revenue funds totaling $59.9 million annually are used for specific purposes. Internal Service funds totaling $19.3 million are used to pay for services provided internally to City departments such as Information Systems and Self-Insurance funds.

Long Term Debt Financing

There are five major long-term debt financing techniques that are currently available to the City of Santa Barbara. Not all of these are currently in use but may need to be employed in the future depending on the situation.

1. **General Obligation (GO) Bonds** are for facilities or land acquisition only. GO bonds are supported by property tax increases, require 2/3 voter approval, and are appropriate for long term financing of 25 years or more. The City currently has no outstanding GO bonds. The last GO ballot initiative to pay for a new police station was defeated.

2. **Tax Allocation Bonds** as of June 30, 2007, are placed through the Santa Barbara Redevelopment Agency. The Redevelopment Agency was created in 1968 to alleviate conditions of blight in the City's downtown, industrial, and waterfront areas and is set to expire in FY 2015. The City currently has $74.1 million tax allocation paid for with property tax increments at 2% to 6.355% interest with approximately $75 million coming due in FY 2018 and FY 2019.

3. **Revenue Bonds** are for facilities or land acquisition, which are appropriate for long term financing of 25 years or more. The Water and Wastewater Funds have $23.6 million of these bonds outstanding as of June 2007, supported by

dedicated revenue streams paid by user charges. Voter approval is required according to the City Charter; but this mechanism can only be used by departments supported by user charges and cannot be used by core General Fund departments such as Police and Fire.

4. **Lease Revenue Bonds** are paid for with lease revenues from any facility leased to a public agency. No public vote is required to utilize this mechanism. The City of Santa Barbara does not currently employ this mechanism.

5. **Certificates of Participation (COP)**, tax- exempt leases rather than bonds, are used to finance and pay back debt. COPs may be used for equipment, facilities or land use only, and are supported by lease payments to a third party for the use or construction of the facilities. COPs are modeled after the sale leaseback transactions that have been popular in commercial real estate deals for many years. No public vote is required and is appropriate for projects for up to 30 year financing. The City of Santa Barbara had approximately $31.7 million in outstanding COPs as of June 30, 2007 – $3.2 million of which is the responsibility of the General Fund and the General Fund's only long term debt.

In addition there are loans, generally payable to the State of California, for various water resource and Airport projects (some marine and environmental also can be included). The City has approximately $37.8 million in low interest loans between 2.5% and 4% payable to the State Department of Water Resources.

Assessment Districts

Special Assessments Districts are for direct benefits (beyond general benefits) to real property or the public at large. Assessment amounts must be proportional to the direct benefits received by real property or the public at large. Assessment amounts must be approved by a weighted majority of the property owners in the district. The City successfully used this technique to pay for the downtown sidewalk upgrades.

Taxes

Special Taxes which can be used for capital or operating and maintenance projects are paid for with either increases in property taxes or sales taxes. Special Taxes can be used to support a wide variety of projects but are of limited use to Santa Barbara since such taxes require 2/3 voter approval.

Fees

Special "Extractions and Fees" for specific development projects, subdivision improvements, or development agreements (such as the City's contract with Fess Parker) do not require voter approval but tend to be limited in scope.

Development fees, which pay for construction but not maintenance and operations, are most commonly used in the South Coast area for traffic or transportation projects, landscaping, police service fees, or parks and recreation. Agoura Hills, Ventura, Camarillo, Moorpark, Goleta, San Luis Obispo, and Santa Barbara County have all made use of developer fees recently. Santa Barbara, however, has not charged developer fees yet. However, developer fees are an option that should be evaluated in the future particularly on new residential and mixed use development (there remain new

developments that may benefit from City services, which developer fees may be appropriate).

Waterfront Fees

Comparisons of slip fees at California harbors are difficult to make by direct comparison, but the charge per foot is one measure to indicate what each marina is charging for slip rentals. Each marina has a different number of slips and mix of slip lengths, but the basic measure for charges is the length of the slip in feet. An average rate (unweighted) was calculated for each of the marinas. The rates were then compared to Santa Barbara's average rate of $8.15/foot. Most of the rates were 20% above Santa Barbara rates but some are as high as 56% more.

TABLE 4: Comparison of Southern California Slip Fees

California Marinas	Comparison of Harbor Slip Fees – January 2008	
"Central" Coast	Average Rate	Percent of Santa Barbara Rate
Long Beach Shoreline	$12.71	156%
Ventura	$11.52	141%
Long Beach Rainbow	$10.48	129%
Long Beach Alamitos	$10.13	124%
Channel Islands	$10.00	123%
Santa Cruz	$9.20	113%
Monterey Harbor	$8.28	102%
Santa Barbara	$8.15	100%

This pattern of fees when coupled with costs of providing the services to the marina (which could include dredging to keep the harbor mouth open) suggests that there is a subsidy coming from some other source which keeps these fees lower than actual costs.

Collateralizing Future Revenue Streams

As California's infrastructure financing problems have grown, the State has begun to allow new financing tools such as the bonding of a portion of the gasoline tax to pay for transportation projects. The City of Oxnard recently completed a contract that allows the City of Oxnard to securitize future State gasoline taxes (by law cities and counties receive a portion of the State's 18 cents per gallon tax on gasoline) without pledging the City's General Fund. The capital raised will be used to improve streets and roads. Santa Barbara has not been forced to consider such options, and the Taskforce concluded that rather than cannibalizing current revenue streams, the infrastructure plan should rely on new funds tied to new services provided – such as new parking fees for expanded facilities or the like.

Public-Private Partnerships

Santa Barbara has a long tradition of partnerships with individuals and organizations to enrich both the number and operation of City facilities. For example, the Alice Keck Park Memorial Garden was purchased and created as a result of a generous gift by the estate of Ms. Park. The Kid's World in Alameda Park was created by gifts of materials by organizations and labor by numerous individuals. In the Santa Barbara foothills, the Parma Park and its related maintenance endowment, was created by a gift of Parma Family Trust. The Douglas Family Preserve (formerly known as the Wilcox Property) on the Mesa is the result of the fund-raising by the PARC Foundation to acquire and build parks for Santa Barbara.

The model of Las Positas Park (now known as Elings Park) is exemplary of a successful partnership – with land owned by the City (a former landfill) developed into a park for public use with private gift funds. A host of Santa Barbara philanthropies and individuals have contributed over $20 million to the original site and an adjacent land purchase to provide a vast range of recreational activities ranging from wind sailing, horseback riding, soccer, softball, BMX racing, jogging, day camps, picnics, and quiet contemplation.

Another example is the use of private investment for provision of clean energy. The City currently has a fuel cell co-generation facility at the El Estero Wastewater Treatment Plant which provides electricity for the operation of the facility. This project was built and is maintained by an outside contractor. Additionally the City is installing a solar photovoltaic system (private investment) at the Corporate Yard, the City will purchase the electricity generated to power the facilities surrounding it.

The Taskforce perceives that these arrangements have enriched the City and continue to provide resources either in terms of gifts or streams of revenue that reduce the outlays of tax revenues for capital projects.

Intergovernmental Collaboration

Boundaries often mitigate against the provision of services and effective organization; but cooperative approaches by governments can provide benefits. For example, the City of Santa Barbara provides water and sewer service outside the City's boundaries to Mission Canyon. The County of Santa Barbara has no "water department," so those areas are served due in large part to cooperation. South Coast water purveyors have also cooperated with Goleta, Montecito, and Carpinteria water districts on the distribution and acquisition of potable water.

Another example of cooperation by several governments involves the Library System. This is an arrangement among the City of Santa Barbara, County of Santa Barbara, and the cities of Goleta, Solvang and Carpinteria, wherein the City of Santa Barbara manages and runs the branches for those areas. The seamless quality of library services provides service which is consistently described as "excellent."

To the degree that local, South Coast people are served regardless of the location of their residence, suggests the need to explore how other such cooperative arrangements might support parks and recreation, airport, recycled water, and other services which boundaries do not naturally define.

COMPARISONS TO SIMILAR CALIFORNIA CITIES

The Taskforce completed a review of ten similarly sized California cities including Ventura, Carlsbad, Huntington Beach, Long Beach, Newport Beach, Santa Maria, Santa Monica, Redwood City, and Santa Barbara. The review indicates that on average these cities spend approximately 27% of their total budget on Capital Infrastructure Projects.

The majority of these cities also have a number of budgeted Enterprise Funds. Long Beach, which is larger, spends 22% of its total budget on Capital. San Luis Obispo, which is 50% of the size of Santa Barbara, spent 43.7% of its total FY 2007 – FY 2008 budget on Capital Infrastructure Projects.

Based on comparisons with similar California cities, the Taskforce concluded that the City is within the range of capital and operating expenditures of most similar cities, but Santa Barbara may have room to increase its operational efficiency and focus additional funds on infrastructure financing.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The City of Santa Barbara utilizes all of the normal financing tools used by California cities to support its infrastructure and uses them now. The City appears to be prudently managed and under the current leadership has strengthened its financial policies and procedures in recent years. There does not appear to be any "silver bullet" which will allow the City to substantially increase its capital expenditures as it currently operates.

The Taskforce commends the City for identifying unfunded capital projects for the first time in the FY 2008 – FY 2013 Capital Improvement Program, and believes it is an important step in having the data needed to manage Santa Barbara's infrastructure. The City, however, appears to approach its capital needs opportunistically, depending on the availability of funds. While there is a general list of considerations to be used in qualifying capital projects, it is not clear whether this list is used to establish a priority hierarchy for capital expenditures. Moreover, the current capital budgeting system could be made a more useful management tool. For example, simple changes in format to identify not only the current budgeted amount for capital projects as is done now, but the pre-funded amount, the future funding requirements, the project phase, and the funding sources (Appendix IV).

The expiration of Measure D and judicial challenge to portions of the Utility Users Tax (as previously noted) could create a major hole in the infrastructure budget with no replacement funds in sight if the electorate does not approve Measures A or G, which takes their place.

There are a few innovative financing techniques being tried by California cities, which may prove relevant to infrastructure financing in the future (e.g. Oxnard's bonding/collateralizing its share of future state gas tax revenues). However, as noted, the City has the full range of normal municipal debt tools to rely on and will need to continue to rely on them in the future.

General Obligation Bonds will perhaps remain a valuable tool in certain circumstances, although the City must improve its operations or develop new revenue to afford new debt.

There appear to be a few opportunities to raise fees in some Enterprise Funds such as Waterfront where the slippage rates are lower than rates in other nearby cities and may not fully cover the direct and indirect costs of providing services to marina users.

Santa Barbara has a unique quality among California coastal cities in that commercial development on the ocean side of Cabrillo Boulevard has been limited and that makes it attractive and assessable to locals and visitors alike. Unlike many cities, Santa Barbara has a dual responsibility between the Parks and Recreation and Waterfront Departments for activities on the strip of land known as the waterfront.

The Parks and Recreation Department, for example, is responsible for beach clean-up and grounds maintenance while operating several buildings, which are rented to the public. These include the Cabrillo Pavilion Arts Center, Casa de las Palmas, Chase Palm Park Recreation Center, etc. The Parks and Recreation Department cleans the public restrooms at the entrance to Stearns Wharf six times a day on weekends; yet, the

Waterfront Department receives the revenue from the purveyors on Stearns Wharf, but much of the related clean-up expense is passed to Parks and Recreation.

The Taskforce recommends that the Waterfront Department be assigned responsibility for operation and maintenance of all the resources on the ocean side of Cabrillo Boulevard (Policy and Management Recommendation No. 2). The assignment of costs should be aligned with the sources of revenue – mostly lease revenue, boat slip rentals, and beach-side parking fees – and this is not currently the case.

The Taskforce notes, for example, that the harbor/marina rates may be kept artificially low because lease revenues from restaurants may be subsidizing them, while not being burdened by the other costs of the waterfront area.

The City must both operate more efficiently and stimulate revenue growth. Sustained fiscal discipline and operating efficiency are the key factors for success.

Financing Recommendations

1. Revise Resolution No. 95-156 to commit the City to immediately increase efficiency of all the resources under its control by 2-3% annually, to free up additional funds for infrastructure needs. Review results at the end of the second year.

2. Revise Resolution No. 95-157 to commit the City to implement and achieve an annual 10% "off-the-top" General Fund capital allocation no later than FY 2012 to be spent annually for infrastructure projects or essential borrowing to core services based on increased revenue growth and operating efficiencies.

3. Revise the Capital Reserve requirements for Resolution No. 95-157 to 5% of the estimated replacement value of capital assets instead of book value; and the goal of the General Fund Capital Reserve shall be set at $5 million in addition to the 10% General Fund capital allocation.

4. Change the City's fiscal policies to fund accrued depreciation and facility renewal costs at replacement rather than book value for all municipal facilities.

5. Fully fund the annual facility renewal costs of approximately $2.1 million and conduct the work needed on a regular basis.

6. Assess the potential for adding a 0.5% local sales tax, either as a new funding source for critical infrastructure projects or to replace funds that my be lost from Measure A and Measure G if they are not approved.

7. Expand the use of public-private charitable partnerships, in support of key civic activities.

8. Explore the potential of securing greater cooperation between the public and private sector in the form of public-private partnerships or "performance-based infrastructure" (PBI) investments.

9. Establish fair market rates for all boating and slippage fees in the harbor that are both equivalent to similar southern California cities and sufficient to cover the full (direct and indirect) costs of providing marina services.

10. Use the General Fund to provide contingency backing for debt for various Enterprise Funds so long as it does not compromise the City's ability to borrow for General Funds' own infrastructure needs.

11. Explore options for collateralizing and bonding future revenue streams (such as the City's share of the State gasoline tax) as a means for providing funds for infrastructure improvements if other sources of revenue dry up.

12. Maintain the option of issuing new voter approved General Obligation Bonds to pay for major infrastructure projects.

Management and Policy Recommendations

1. Make the funding of a new Police Station and adequate Fire and Emergency disaster facilities the highest capital infrastructure priorities for the General Fund.

2. Designate the Waterfront Department as responsible for the operation, maintenance and support of all recreation, boating, and harbor activities to the east of Cabrillo Boulevard – including the operation of the Cabrillo Bathhouse, East Beach and associated facilities – thereby freeing up the General Fund to pay for other infrastructure improvements in the Parks and Recreation Department.

3. Reduce the City's operating costs and free up funds for infrastructure financing by: "sun-setting" underutilized and outdated programs; initiating a "zero based" budgeting process at least once every four to five years, closing, or leasing, or selling any of the 500,000 square feet of General Fund facilities that are not needed; and disposing of any surplus property that might have utility value and generate income if sold or leased. (An example where the City does this successfully is the leasing of City-owned property at the airport providing a stream of revenue to help the airport be self-sufficient.)

4. Renew and update Resolutions No. 95-156 and No. 95-157, which have provided guidance to the City's financial policy for more than a decade, to reflect current economic realities.

5. Implement a Management Information Report to enable the City Council to track and review progress on; reducing the deferred maintenance backlog, progress on securing financing for unfunded capital needs, and maintaining Capital Reserves, as well as monitoring progress on other recommendations in this report.

6. Upgrade the City's capital infrastructure budgeting process by developing a budget report similar to the University of California Santa Barbara reporting system for State Capital Improvements.

7. Enforce existing panhandling ordinances and develop a program (similar to other successful cities) to overcome the City's growing gang problem – both of which are a threat to the civility of Santa Barbara and its viability as a destination resort, which is key to maintaining the revenues which support infrastructure.

8. Develop an ongoing program that will educate the public on the fundamental importance of a well-maintained and adequately funded infrastructure – and ensure support for these policies.

9. Develop a detailed implementation plan for these recommendations by January 20, 2009, and report back to the Council twice a year.

Appendix I

City of Santa Barbara Infrastructure Evaluation Support

Overall General Fund Score: ●

Police Department

●	Current Facility Assessment	The current Police Department facility built in 1960 is located at 215 East Figueroa Street and is 27,570 square feet and houses 222 employees. In 1999 a bond measure was on the ballot to fund a new facility but it failed. In 2000 the City rented additional 8,556 square feet in order to provide additional space for the Police Department. A project to remodel the Locker Room facilities will correct deficiencies in this area but the rest of the facility still needs improvements.
●	Capital Infrastructure	
●	Adequacy of Funding	No funding has been identified for a new facility.
●	Building Systems Maintenance	Due to the age of the facility and systems continuous maintenance and repair is needed.

Parks & Recreation

●	Current Parks Facilities Assessment	Many of the facilities located in City parks were built 30+ years ago, some have received remodeling but the majority still need remodeling. As a result the facilities are in need of constant repair.
●	Current Recreation Facilities Assessment	Recreation houses both recreation facilities and community centers. The Franklin Community Center just received some infrastructure improvements but is need of a new roof. The Carrillo Recreation facility was also in need of significant infrastructure work and some of that is planned for FY 2009. The Cabrillo Bathhouse is in need of significant infrastructure repair and upgrade.
●	Capital Infrastructure	For both Parks and Recreation there is a need for new facilities and repair to older facilities such as; a new aquatics center, 1,000 steps replacement and repair to the Tennis facilities. Repair and stabilization of Shoreline Park is also an unexpected infrastructure item.
●	Adequacy of Funding	Deferred maintenance continues to grow due to lack of sufficient funding. There is no funding identified for new facilities or upgrade of older facilities.
●	Building Systems Maintenance	Older facilities require significant maintenance and upgrades and deferred maintenance continues to grow due to lack of sufficient funding.

Fire

▽	Current Facility Assessment	Many of the Fire Stations have received upgrades in the past 20 years. Fire Station No. 1 is currently under construction for seismic enhancement and facility improvements. At the completion of the project the administrative staff will continue to be located in a rented facility. Fire Station No. 7 is the last station that requires significant remodeling or a new facility. While the Forestry Service is interested in sharing a facility, the funding is not available to make the changes.
▽	Capital Infrastructure	Fire Station No. 7 remodeled to include Forestry Service. Enhancements/improvements to the fire training facility are needed as well as upgrades to facility systems.
●	Adequacy of Funding	No Funding is identified for larger projects such as Station No. 7 or the maintenance, enhancement of the regional training facility at 2 South Calle Cesar Chavez and remodeling of 927 Chapala into Administrative facilities.
▽	Building Systems Maintenance	The facilities systems are maintained but some items have been deferred, such as A/C system replacement.

ATTACHMENT 3

Appendix I

General Fund Continued:

Community Development

■	Current Facility Assessment	The Community Development and Public Works facility was constructed in 1988. The second floor was just refurbished and the concrete floor was repaired. Additional space at 619 Garden has been acquired to house staff.
■	Capital Infrastructure	Community Development Capital assets include office space and equipment; facility is covered by ICS.
▽	Adequacy of Funding	There is deferred maintenance that is carried forward every year due to lack of adequate funding.
▽	Building Systems Maintenance	General maintenance and repair and replacement of building systems is needed and flooring system replacement is needed on the first floor.

Public Works - GF Buildings

●	Current Facility Assessment	Responsible for maintenance of all General Fund buildings including Police Department, Recreation facilities, Corporate yard facilities and City Hall. Older facilities and equipment are in need of replacement.
●	Capital Infrastructure	General Fund facilities are in need of remodeling, space allocation, changes and hardscape improvements as well as landscaping.
●	Adequacy of Funding	Insufficient funds to complete annual maintenance. Funding opportunities may exist through Public-Private partnerships, Government/Non-profit partnerships, grants, loans or bonds.
●	Building Systems Maintenance	Deferred maintenance backlog.

Library

▽	Current Facility Assessment	The Library facilities are aging and in need of remodeling and enhancements in order to provide services to the community. Currently the Central Library is working with the Junior League on the relocation and remodel of the Children's Area. The League is hoping to raise $3 million for this project and the City will be implementing upgrades and additional restrooms to the lower level.
●	Capital Infrastructure	The roof of the Central Library is in need of replacement; and hardscape and landscaping are need of replacement.
●	Adequacy of Funding	No funding is identified for deferred maintenance items and no funding is available for a new facility. A significant donation of funds will be made for the relocation of the Children's section of the Central Library.
●	Building Systems Maintenance	Floor, walls, A/C and fire protection need replacement or upgrade.

Administrative Services - Human Resources and City Clerk's Office

■	Current Facility Assessment	The Human Resources Division needs for additional space was accomplished in FY 2008 with the City Hall basement remodel.
▽	Capital Infrastructure	Part of the City Hall facility.
▽	Adequacy of Funding	Deferred maintenance of flooring systems and remodeling of additional space is needed.
▽	Building Systems Maintenance	Part of the City Hall Facility which has a deferred maintenance backlog.

Appendix I

Overall Non-General Fund Score:	

Administrative Services - Information Systems

■	Current Facility Assessment	The Information Systems Division has no responsible for maintaining a facility but is resposible for the City's network. The current electronic information infrastructure is adequate but the demands of the system are growing at a rapid rate.
▽	Capital Infrastructure	Infrastructure replacement and operation (hardware, software, licensing, etc.) costs exceed current revenue rates.
▽	Adequacy of Funding	Required expenses exceed revenues and are increasing due to software licensing, new software purchases, and hardware maintenance. Revenue (via internal rate and cost allocation) are set to increase on a fixed schedule which does not meet expense requirements. Although departments are responsible for specific application purchases, there is a need to change to a central application replacement program to ensure sufficient funds for large enterprise software purchases.
	Building Systems Maintenance	N/A

Airport Fund

▽	Current Facility Assessment	Current Terminal project is in process to enhance facilities and provide service to customers.
■	Capital Infrastructure	Upon completion of the new terminal facility, in 2010 the majority of capital will be complete. Additional improvements are being made to water and sewer systems.
■	Adequacy of Funding	Primarily FAA Grant Funding, Airport fees and bonds.
■	Building Systems Maintenance	Minimal deferred maintenance.

Parks & Recreation

Creeks Fund

■	Current Facility Assessment	Urbanization has severely degraded local creeks, and the City has only recently directed its attention to improving stormwater quality. Thus, there is a tremendous need for creek restoration and water quality improvement projects.
■	Capital Infrastructure	The Creeks Division is managing numerous creek restoration and water quality improvement projects throughout the City.
■	Adequacy of Funding	The majority of Creeks Division funding comes from Measure B, a 2% transient occupancy tax passed by Santa Barbara voters in 2000. Measure B funding alone is not adequate to meet the identified needs, and program success is dependent on leveraging existing funds with outside grants.
■	Building Systems Maintenance	Creeks Division projects require significant ongoing monitoring, maintenance, and repair. Currently, 8-10% of Measure B revenues are dedicated to maintenance of capital projects. As the Creeks Program matures, and completes additional capital projects, ongoing maintenance costs will continue to rise.

ATTACHMENT 3

Appendix I

Non-General Fund Continued:

Golf Fund

■	Current Facility Assessment	The Golf Fund is an Enterprise Fund; able to raise fees (within reason) to offset costs. Major renovation was completed in 1989 of pro-shop, restaurant and restroom. Other facilities need updating and are in capital program as needed.
■	Capital Infrastructure	Major multi-year infrastructure improvement of the golf course is in process. It is funded through golf reserves and a General Fund loan. Pro-shop renovation by new concessionaire anticipated in FY 09.
■	Adequacy of Funding	The Golf Fund is an Enterprise Fund; able to raise fees (within reason) to offset costs. Larger projects typically funded through multi-year planned outside financing.
■	Building Systems Maintenance	Enterprise Fund: generates revenue to cover expenses. (Includes; restaurant, pro-shop, cart barn, maintenance buildings, restrooms.)

Public Works

Downtown Parking

▽	Current Facility Assessment	Structural enhancements in 1980's parking structures in process.
■	Capital Infrastructure	Capital projects require multi-year fund accrual.
▽	Adequacy of Funding	Downtown Parking is an Enterprise Fund; able to raise fees (within reason) to offset costs. Three structures were built in the late 60's and early 70's, two structures built in 80's. Structural enhancement and maintenance are significant.
▽	Deferred Maintenance	Maintenance items have been deferred due to limited funds.

Intra-City Services (ICS) - General Fund Facilities including P&R, PD, CH, phones and vehicles

▽	Current Facility Assessment	Facilities for various departments that are maintained by ICS. The facilities in the Corporate Yard are currently operable but were built in the 1970's and are in need of remodeling to better meet the needs of the facility occupants.
▽	Capital Infrastructure	Investment in infrastructure is needed and needs are growing as facilities age and technology improves.
▽	Adequacy of Funding	Funding is inadequate to cover annual maintenance so there is a significant amount of deferred maintenance.
▽	Building Systems Maintenance	Backlog of maintenance exceeds funds available.

Streets - Pavement Maintenance, traffic signals, street lights, sidewalks

▽	Current Facility Assessment	Street maintenance and repair costs continue to increase and maintaining a Pavement Condition Index (PCI) of 70 is harder to achieve as the streets age. Additional access ramps and sidewalk improvements are needed Citywide.
●	Capital Infrastructure	Street maintenance and repair costs continue to increase and maintaining a PCI of 70 is harder to achieve as the streets age. Additional access ramps and sidewalk improvements are needed Citywide.
●	Adequacy of Funding	Funding is questionable at this time due to Measures A and G that are on the ballot for November 2008. Without this funding less projects will be completed and grant funding will be reduced due to the need to have matching funds.
	Building Systems Maintenance	Annual work is conducted Citywide but areas in need of significant street rehabilitation have no funding and annual sidewalk maintenance is insufficient to meet system needs.

Appendix I

Non-General Fund Continued:

Utility Undergrounding Fund

N/A	Current Facility Assessment	N/A
N/A	Capital Infrastructure	N/A
■	Adequacy of Funding	Funding is generated by formation of a Underground Utility District.
N/A	Building Systems Maintenance	N/A

Water

■	Current Facility Assessment	Water facilities and equipment meet the current standards and needs of the community.
■	Capital Infrastructure	Infrastructure is top priority in order to comply with regulations and meet the needs of the community.
▽	Adequacy of Funding	Enterprise Fund; able to raise fees (within reason) to offset costs. Majority of projects are funded but no funds have been identified for Ortega Well Treatment Facility or Water Facilities for the Corporate Yard.
■	Building Systems Maintenance	Enterprise Fund; able to raise fees (within reason) to offset costs. Majority of projects are funded but no funds have been identified for Ortega Well Treatment Facility or Water Facilities for the Corporate Yard.

Wastewater

■	Current Facility Assessment	Wastewater facilities and equipment meet the current standards and needs of the community.
■	Capital Infrastructure	Infrastructure is a top priority and planning for change in regulations is an on-going process.
■	Adequacy of Funding	Enterprise Fund; able to raise fees (within reason) to off set costs and borrow money.
■	Building Systems Maintenance	Enterprise Fund; able to raise fees (within reason) to off set costs.

Waterfront

■	Current Facility Assessment	Waterfront facilities meet the needs of users and general maintenance is accomplished.
▽	Capital Infrastructure	There are large capital projects that have been delayed due to lack of sufficient funding such as the Marina One replacement.
▽	Adequacy of Funding	Funding is a challenge but the Waterfront Department has been able to borrow money to complete projects in the past. Current lending rates and grant availability are limited delaying larger more expensive projects. Funding opportunities may exist through Public-private partnerships, Government/Non-profit partnerships, grants, loans or bonds. success may be dependent on leveraging existing funds for outside grants/loans.
▽	Building Systems Maintenance	There are projects that have been delayed due to lack of sufficient funding but basic needs are being met.

Appendix II

RESOLUTION NO. 95-156

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA ESTABLISHING BUDGET POLICIES FOR THE GENERAL FUND AND THE ENTERPRISE FUNDS

WHEREAS, the City Council desires that the development and adoption of the annual budgets for the City's General Fund and the Enterprise Funds should be guided by sound budget principles; and

WHEREAS, staff historically has relied on sound budget principles in preparing the recommended Two Year Financial Plan and Annual Budget for the City; and

WHEREAS, such policies will be most readily communicated and understood if they are consolidated and formally adopted in a single document; and

WHEREAS, management staff from all departments have participated in discussions and development of proposed budget policies; and

WHEREAS, staff has presented and Council has reviewed the proposed policies in a Council Work session on October 17, 1995; and

WHEREAS, the Council has considered the proposed policies at a regular Council meeting on November 14, 1995:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA THAT the following budget policies are adopted:

SECTION 1. For the Two Year Financial Plan covering Fiscal Years 1997 and 1998, all current operating expenditures will be paid for with current revenues.

SECTION 2. Budgetary emphasis will focus on providing high quality municipal services, recognizing the fundamental importance to the public of public safety and well maintained infrastructure.

SECTION 3. The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.

SECTION 4. The budget will reflect a higher priority for maintenance of existing facilities than for acquisition of new facilities.

SECTION 5. Future maintenance needs for all new capital facilities will be fully costed out, and added costs will be recognized and included in future year budget projections.

Appendix II

SECTION 6. Strong customer service and productivity improvements with a focus on cost savings remain important budgetary goals.

SECTION 7. A diversified and stable revenue system will be maintained to shelter the City from short-run fluctuations in any single revenue source.

SECTION 8. Revenues will be conservatively estimated, will be projected for the next four years and will be updated at least annually.

SECTION 9. Intergovernmental assistance in the form of grants and loans will be used to finance only:

a. Those capital improvements consistent with the Six-Year Capital Program priorities and which can be maintained and operated over time; and

b. Operating programs which either can be sustained over time or have a limited horizon.

SECTION 10. One-time revenues will be used for operating programs only after an examination determines whether they are subsidizing an imbalance between operating revenues and expenditures, and then only if a long-term forecast shows that the operating deficit will not continue. In general, one-time revenues will be used only to support capital or other non-recurring expenditures.

SECTION 11. Budgetary strategies that fund current operations at the expense of future needs, such as postponing capital expenditures, will be avoided.

SECTION 12. All fees and charges for each enterprise fund will be set at a level that fully supports the direct and indirect cost of the enterprise.

SECTION 13. Annually, the City will seek the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Reporting and the GFOA Distinguished Budget Presentation Award.

Appendix III

RESOLUTION NO. 95-157

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA ESTABLISHING POLICIES FOR RESERVES FOR THE CITYS GENERAL FUND AND ENTERPRISE FUNDS

WHEREAS, the City desires to establish policies regarding reserves for the various City funds for the purpose of providing consistent designations for different categories of reserves, ensuring fiscal security for the funds, defining standards for minimum and maximum amounts to be maintained in reserves, and providing flexibility to recognize differences among funds; and

WHEREAS, such reserves policies will be most readily communicated and understood if they are consolidated and formally adopted in a single document; and

WHEREAS, staff has presented and Council has reviewed the proposed reserves policies in a Council Work session on October 17, 1995; and

WHEREAS, the Council has considered the proposed reserves policies at a regular Council meeting on November 14, 1995:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA THAT the following reserves policies are adopted:

SECTION 1. In combination, the Reserves for Economic Contingency/Emergency and Reserves for Future Year Budgets/Fund Balance (by fund) will be funded to a goal level of 25% of the annual operating budget of the respective fund,

SECTION 2. APPROPRIATED RESERVES

An Appropriated Reserve will be included in each operating funds adopted budget to provide for unanticipated expenditures or to meet unexpected small increases in service delivery costs within the fiscal year. This reserve will be budgeted up to one-half of one percent of the operating budget and any unused portion will be returned to fund balance at the end of the fiscal year.

SECTION 3. RESERVE FOR CAPITAL

Each operating fund will establish a Capital Reserve funded to at least 5% of the value of its capital assets. In the alternative, the amount may be established at an amount equal to the average of the adopted capital program budgets for the previous three years. The goal for the General Fund Capital Reserve shall be set at least $1 million. Appropriations from these reserves will be to fund major capital costs.

Appendix III

SECTION 4. RESERVE FOR ECONOMIC CONTINGENCY/EMERGENCIES

For each operating fund there will a reserve equal to 15% of its annual operating budget for the purpose of coping with emergencies. It may take more than one year to meet the 15% goal if these emergency reserves do not presently meet the 15% goal.

SECTION 5. RESERVE FOR FUTURE YEAR BUDGETS/FUND BALANCE

Each operating fund will establish and maintain a reserve equal to 10% of its annual operating budget for the purpose of providing for unique one-time costs and for maintenance of City services and permit orderly budget adjustments during periods of reductions, Appropriation of these reserves to operating budgets should, when feasible, be accompanied by a plan for replenishment within a reasonable period of time.

SECTION 6. FUNDING OF RESERVES

Funding will come generally from onetime revenues, excess fund balance and projected revenues in excess of projected expenditures. They will generally be reserved in the following priority order:

a. Reserve for Economic Contingency/Emergencies
b. Reserve for Capital
c. Reserve for Future Years Budgets

However, flexibility will be retained to allocate available funds among the reserves based on the current circumstances and needs of the City's various operating funds.

SECTION 7. Appropriation or use of funds from any of these reserves will require Council action.

Appendix IV

University of California

2008-09 BUDGET FOR STATE CAPITAL IMPROVEMENTS

CCCI 5179
EPI 2799

Campus	Project	Prefunded ($000)		2008-09 Budget ($000)		Future Funding Requirements ($000)		Total Project Cost ($000)
Berk	Campbell Hall Seismic Replacement Building	PW	6,400	C	58,032	E	[2,550] G	64,432 [2,550]
Berk	Biomedical and Health Sciences Building Step 2			PWC	52,700 *	E	[3,000] G	52,700 [3,000]
Dav	Veterinary Medicine 3B	PW	7,851	C C	64,737 [19,643] G	E	[1,540] G	72,588 [21,183]
Dav	Seismic Corrections Thurman Laboratory			PWC	687 GF			687
Dav	Music Instruction and Recital Building			P W	[893] X 893	C E	13,642 [500] X	14,535 [1,393]
Dav	Chilled Water System Improvements Phase 7			PW	1,638	C	19,911	21,549
Irv	Social and Behavioral Sciences Building	PWC PWC	40,432 * [15,713] LB	E E	2,855 [2,855] X			43,287 [18,568]
LA	Electrical Distribution System Expansion Step 6C	P	[281] X	WC	9,969			9,969 [281]
LA	School of Medicine High-Rise Fire Safety Phase 1	P	[358] X	WC	13,408			13,408 [358]
LA	Hershey Hall Seismic Renovation	P	[1,000] X	WC	23,100			23,100 [1,000]
LA	CHS South Tower Seismic Renovation	P	[5,235] X	WC	20,650	WC WC	101,685 [81,940] X	122,335 [87,175]
Mer	Science and Engineering Building 2			P P	2,010 [370] X	WCE WC	51,450 [9,630] X	53,460 [10,000]
Mer	Site Development and Infrastucture Phase 4			PW	375	C	4,625	5,000
Riv	Student Academic Support Services Building	PWC	16,389	E	910			17,299 [7,982]
Riv	Materials Science and Engineering Building	PWC C	54,298 * [6,900] X	E	4,620			58,918 [6,900]
Riv	Environmental Health and Safety Expansion	P	400	WC WC	16,619 * [1,082] X	E	369	17,388 [1,082]
Riv	Batchelor Hall Building Systems Renewal	P	402	W	716	C	11,051	12,169

Appendix IV

KEY TO SYMBOLS AND COST INDICES
2008-2013 CAPITAL IMPROVEMENT PROGRAM

Project Phase Symbols

P	=	Preliminary Plans
W	=	Working Drawings
C	=	Construction
E	=	Equipment

Fund Source Symbols

No Symbol	=	State Funds
HR	=	Hospital Reserves
LB	=	Long-Term UC Financing
F	=	Federal Funds
G	=	Gift Funds
GF	=	State General Fund
PT	=	Medical Education PRIME / Telemedicine
RB	=	State Lease Revenue Bond Fund
U,X	=	University Funds

Abbreviations

asf	=	assignable square feet
gsf	=	gross square feet
ogsf	=	outside gross square feet
FTE	=	Full Time Equivalent
kV	=	kilo Volts
MVA	=	Million Volt Amperes
LRDP	=	Long Range Development Plan
DGS	=	State Department of General Services
*	=	"Streamlined" State processing during implementation

All unfunded project costs for State-funded facilities in this Budget are based on California Construction Cost Index (CCCI) 5179 and moveable equipment costs on Equipment Price Index (EPI) 2799, as projected for **July 2008**. Since these indices are associated with the 2008-09 Budget, individual project costs estimated for years beyond 2008-09 do not include an adjustment for subsequent inflationary increases.

Appendix IV

University of California

2008-09 BUDGET FOR STATE CAPITAL IMPROVEMENTS

CCCI 5179
EPI 2799

Campus	Project	Prefunded ($000)		2008-09 Budget ($000)		Future Funding Requirements ($000)		Total Project Cost ($000)
Berk	Campbell Hall Seismic Replacement Building	PW	6,400	C	58,032	E	[2,550] G	64,432 [2,550]
Berk	Biomedical and Health Sciences Building Step 2			PWC	52,700 *	E	[3,000] G	52,700 [3,000]
Dav	Veterinary Medicine 3B	PW	7,851	C C	64,737 [19,643] G	E	[1,540] G	72,588 [21,183]
Dav	Seismic Corrections Thurman Laboratory			PWC	687 GF			687
Dav	Music Instruction and Recital Building			P W	[893] X 893	C E	13,642 [500] X	14,535 [1,393]
Dav	Chilled Water System Improvements Phase 7			PW	1,638	C	19,911	21,549
Irv	Social and Behavioral Sciences Building	PWC PWC	40,432 * [15,713] LB	E E	2,855 [2,855] X			43,287 [18,568]
LA	Electrical Distribution System Expansion Step 6C	P	[281] X	WC	9,969			9,969 [281]
LA	School of Medicine High-Rise Fire Safety Phase 1	P	[358] X	WC	13,408			13,408 [358]
LA	Hershey Hall Seismic Renovation	P	[1,000] X	WC	23,100			23,100 [1,000]
LA	CHS South Tower Seismic Renovation	P	[5,235] X	WC	20,650	WC WC	101,685 [81,940] X	122,335 [87,175]
Mer	Science and Engineering Building 2			P P	2,010 [370] X	WCE WC	51,450 [9,630] X	53,460 [10,000]
Mer	Site Development and Infrastucture Phase 4			PW	375	C	4,625	5,000
Riv	Student Academic Support Services Building	PWC	16,389	E	910			17,299 [7,982]
Riv	Materials Science and Engineering Building	PWC C	54,298 * [6,900] X	E	4,620			58,918 [6,900]
Riv	Environmental Health and Safety Expansion	P	400	WC WC	16,619 * [1,082] X	E	369	17,388 [1,082]
Riv	Batchelor Hall Building Systems Renewal	P	402	W	716	C	11,051	12,169

Appendix IV

Campus	Project	Prefunded ($000)		2008-09 Budget ($000)		Future Funding Requirements ($000)		Total Project Cost ($000)
Riv	Engineering Building Unit 3			P	2,208	WCE	65,054	67,262
						E	[1,000] X	[1,000]
SD	Management School Facility Phase 2	P	1,000	WC	26,075	E	[1,020] X	27,075
		P	[1,000] G	WC	[17,104] G	E	[1,020] G	[20,144]
SD	Biological and Physical Sciences Building			PW	6,860	C	70,370	77,230
						E	[1,500] X	[1,500]
SD	Campus Storm Water Management Phase 2			P	191	WC	5,165	5,356
SF	Telemedicine and PRIME - US Education Facilities	PWE	5,900 PT	CE	29,100 PT			35,000
SF	Electrical Distribution Improvements Phase 2	PW	1,417	C	13,129			14,546
SB	Education and Social Sciences Building	PWC	78,438	E	2,590			81,028
		P	[20,599] G	E	[232] G			[20,831]
SB	Arts Building Seismic Corrections and Renewal	PW	1,855	C	21,406			23,261
SB	Infrastructure Renewal Phase 1	PW	741	C	5,122	WC	5,244	11,107
		PW	[381] X	C	[2,638] X	WC	[2,701] X	[5,720]
SB	Infrastructure Renewal Phase 2			P	320	WC	12,150	12,470
				P	[210] X	WC	[4,640] X	[4,850]
SC	Infrastructure Improvements Phase 2	PW	684	C	6,731			7,415
SC	Alterations for Physical, Biological, and Social Sciences			PW	1,199	C	11,657	12,856
UW	Health Sciences Expansion			PWCE	100,000	PWCE	400,000	500,000
	TOTAL- Basic GO Bond Program				**359,063**			
	TOTAL- PRIME / Telemedicine GO Bond				**29,100**			
	TOTAL- Health Sciences Expansion GO Bond				**100,000**			
	TOTAL- General Funds				**687**			
	GRAND TOTAL				**488,850**			

*** "Streamlined" State processing during implementation.**

Appendix IV

KEY TO SYMBOLS AND COST INDICES
2008-2013 CAPITAL IMPROVEMENT PROGRAM

Project Phase Symbols

P	=	Preliminary Plans
W	=	Working Drawings
C	=	Construction
E	=	Equipment

Fund Source Symbols

No Symbol	=	State Funds
HR	=	Hospital Reserves
LB	=	Long-Term UC Financing
F	=	Federal Funds
G	=	Gift Funds
GF	=	State General Fund
PT	=	Medical Education PRIME / Telemedicine
RB	=	State Lease Revenue Bond Fund
U,X	=	University Funds

Abbreviations

asf	=	assignable square feet
gsf	=	gross square feet
ogsf	=	outside gross square feet
FTE	=	Full Time Equivalent
kV	=	kilo Volts
MVA	=	Million Volt Amperes
LRDP	=	Long Range Development Plan
DGS	=	State Department of General Services
*	=	"Streamlined" State processing during implementation

All unfunded project costs for State-funded facilities in this Budget are based on California Construction Cost Index (CCCI) 5179 and moveable equipment costs on Equipment Price Index (EPI) 2799, as projected for **July 2008**. Since these indices are associated with the 2008-09 Budget, individual project costs estimated for years beyond 2008-09 do not include an adjustment for subsequent inflationary increases.