



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** November 11, 2008

**TO:** Finance Committee

**FROM:** City Administrator's Office

**SUBJECT:** Infrastructure Financing Taskforce Report And Recommendations

### RECOMMENDATION:

That the Finance Committee review the Infrastructure Financing Taskforce Report and recommendations, and establish a work plan to discuss the recommendations.

### DISCUSSION:

In January 2008, the City Council appointed seven community members to the Infrastructure Financing Taskforce (IFT). The duties of the IFT included:

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

The Taskforce work effort was focused on reviewing key financial documents, talking to financial experts and conducting independent research. Concurrently, they received presentations from several Department Heads and visited various City facilities. During the course of their work they became aware of organizational issues and policies that they felt didn't support infrastructure needs. They have addressed those items in the Management and Policy Recommendation section of the report.

After nine months of meeting on a bi-monthly basis the IFT presented their report, "Keeping Santa Barbara in Shape", to Council on October 21, 2008. Council directed that the Report be forwarded to the Finance Committee for review and to make recommendations.

Attached is a summary chart of the IFT's recommendations which are grouped by focused actions. Staff anticipates that review could take two to three months before returning with recommendations to Council for approval. Upon Council's approval of the Finance Committee's recommendations, staff will return with a Draft Implementation Plan for Council's consideration.

**ATTACHMENTS:** Summary Chart of IFT Recommendations

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**SUBMITTED BY:** James L. Armstrong, City Administrator

**APPROVED BY:** City Administrator's Office

## Summary of Infrastructure Financing Taskforce Recommendations

1	<b>Plan</b>	(M 9.) Develop a detailed <b>implementation plan for these recommendations by January 20, 2009</b> , and report back to the Council twice a year.
2	<b>Educate Public</b>	(M 8.) Develop an ongoing program that will <b>educate the public on the fundamental importance of a well-maintained and adequately funded infrastructure</b> – and ensure support for these policies.
3	<b>Revise Policies</b>	(M 4.) <b>Renew and update Resolutions</b> No. 95-156 and No. 95-157, which have provided guidance to the City's financial policies for more than a decade, to reflect current economic realities.
4		(M 5.) <b>Implement a Management Information Report</b> 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.
5		(F 3.) Revise the Capital Reserve requirements for Resolution No. 95-157 to <b>5% of the estimated</b> 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. <b>(F 4.)</b> Change the City's fiscal policies to fund <b>accrued depreciation and facility renewal costs at replacement rather than book value</b> for all municipal facilities
6		(F 2.) Revise Resolution No. 95-157 to commit the City <b>to implement and achieve an annual 10% "off-the-top"</b> General Fund capital allocation no later than FY 2012. Funds to be spent annually for infrastructure projects or could be used to support debt service based on increased revenue growth and operating efficiencies.
7		(F 1.) Revise Resolution No. 95-156 to commit the City to immediately <b>increase efficiency of all the resources under its control by 2-3% annually</b> , to free up additional funds for infrastructure needs. Review results at the end of the second year.
8	<b>Change CIP Document</b>	(M 6.) <b>Upgrade</b> the City's <b>capital infrastructure budgeting process</b> by developing a budget report similar to the University of California Santa Barbara reporting system for State Capital Improvements.
9	<b>Fund Facilities Renewal</b>	(F 5.) <b>Fully fund the annual facility renewal costs of approximately \$2.1 million</b> and conduct the work needed on a regular basis.
10	<b>Prioritize Capital</b>	(M 1.) Make the funding of a new <b>Police Station and adequate Fire and Emergency disaster facilities</b> the highest capital <b>infrastructure priorities</b> for the General Fund.
11	<b>Revise Fees</b>	(F 9.) <b>Establish fair market rates for all boating and slippage fees</b> 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.

## Summary of Infrastructure Financing Taskforce Recommendations (cont.)

12	<b>Evaluate Organizational Change</b>	(M 2.) <b>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</b> – 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.
13		(M 3.) <b>Reduce the City’s operating costs</b> and free up funds for infrastructure financing by: <b>“sun-setting” underutilized and outdated programs</b> ; initiating a <b>“zero based” budgeting</b> process at least <b>once every four to five years</b> , closing, or leasing, or selling any of the 500,000 square feet of General Fund facilities that are not needed; and <b>disposing of any surplus property</b> that might have utility value and generate income if sold or leased.
14	<b>Encourage Partnerships</b>	(F 7.) Expand the use of <b>public-private charitable partnerships</b> , in support of key civic activities. (F. 8.) Explore the potential of securing greater cooperation between the public and private sector in the form of <b>public-private partnerships</b> or “performance-based infrastructure” (PBI) investments.
15	<b>Financing Options</b>	(F 10.) Use the <b>General Fund to provide contingency backing for debt</b> for various Enterprise Funds so long as it does not compromise the City’s ability to borrow for General Funds’ own infrastructure needs.
16		(F 6.) <b>Assess the potential for adding a 0.5% local sales tax</b> , either as a new funding source for critical infrastructure projects or <b>to replace funds</b> that may be lost from Measure A and Measure G if they are not approved.
17		(F 11.) <b>Explore options for collateralizing</b> 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.
18		(F 12.) <b>Maintain the option of issuing new voter approved General Obligation Bonds</b> to pay for major infrastructure projects.
19	<b>Resolve Community Issues</b>	(M 7.) <b>Enforce existing panhandling ordinances</b> and develop a program (similar to other successful cities) to <b>overcome the City’s growing gang problem</b> – 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 that support infrastructure.