

City of Oceanside

*Office of the City Manager***Memorandum**

To: Honorable Mayor and City Councilmembers

From: Peter A. Weiss, City Manager (W)

Date: July 16, 2013

Subject: **Infrastructure Reserve Funding**

During the June 5, 2013 Council meeting, the Council prioritized the need for funding an Infrastructure Maintenance Reserve. For purposes of the City's major infrastructure including water, sewer and streets, the City does have maintenance and replacement plans already established and funding mechanisms in place. However, the City does not adequately fund 1) the eventual upgrade and replacement of key building components and systems 2) beach sand replenishment or 3) Regional Communications System costs.

The City had previously prepared, implemented and funded a comprehensive Infrastructure Maintenance and Replacement Plan. Prior to FY 2008-09, the City funded \$250,000 annually for Infrastructure and Building Maintenance needs. As a result of the budget constraints, those funds were eliminated several years ago as part of the City's broader expenditure reductions. The funding source was the City's General Fund through an annual allocation in the budget process. Those budget constraints also eliminated the funding for the City-wide landscape enhancement and deferred park maintenance programs.

Staff will be presenting the Infrastructure Reserve Funding Plan to the Council at the August 7, 2013, Council meeting. Council direction will be needed in order to prepare

the FY 2014-15 Financial Forecast, which is the basis for developing the FY 14-15 Budget.

The Council action for the August 7, 2013, item will be to:

1. Approve the Infrastructure Reserve Funding Plan to be implemented in FY 14-15.
2. Direct staff to include the funding allocations in the development of the City's 2014-15 Financial Forecast and FY 14-15 Budget.

Building Maintenance

Although the City provides some demand maintenance of its buildings, a comprehensive maintenance and funding plan exists only for the Civic Center, Operations Center and new Police/Library buildings.

A number of years ago, the City conducted a comprehensive assessment of all City-owned buildings and developed a maintenance and replacement plan that was funded through the General Fund. As a result of past budget constraints, that funding mechanism was eliminated. The City allocated \$250,000 annually for deferred building maintenance and approximately \$800,000 is available for unallocated HVAC, Interior, Exterior and Parking Lot needs.

An updated more comprehensive 5-year maintenance plan should be prepared and is vital, as the City's public buildings are valuable assets and represent a large taxpayer investment. As such, planned maintenance plays a vital role in the management of those assets.

In order to develop a comprehensive maintenance plan, an initial Conditions Assessment was conducted of the City's buildings. The priority buildings are:

- Balderrama Recreation Center
- Beach Community Center
- Senior Services Center
- North River Road Community Center
- John Landes Community Center
- Fire Stations 1 through 7
- Resource Centers
- Park Restrooms and facilities
- Brooks and Marshall Street pools

- Sunshine Brooks Theater
- Beach Area stairs and improvements
- 1617 Mission Ave
- Lifeguard Headquarters
- Jones Road/ Fire Training Center
- Beach Area Restrooms

The results of the Conditions Assessment revealed that most of the components within the building were nearing the end of their useful life and will need to be upgraded or replaced in the next 5-10 years. Staff is in the process of developing a building maintenance plan that will provide for the replacement of critical building components and for routine maintenance schedules.

However, there is currently no funding identified or available to fund a comprehensive Building Maintenance Plan. Based on the Council's current direction, staff is supporting and recommending additional funds be identified and reserved for future infrastructure and building maintenance needs.

Beach Sand Replenishment

The City's beaches are a significant asset and require routine replenishment projects to enhance the beach area. Although the City does receive beach sand through the annual Army Corps of Engineers Harbor Dredging project, that sand is not enough to maintain a protective and adequate beach. In prior years, SANDAG was the lead agency in preparing and executing regional sand replenishment projects. In 2012, the City used \$611,000 in one-time funds to pay for approximately 192,000 cubic yards of sand placed on Oceanside beaches. The City Council has already allocated using \$650,000 of one-time funding for additional sand to be placed on the beach through the San Luis Rey River project/Whelan Lake Mitigation property.

The demand for sand on the beach is an on-going issue and should be proactively funded rather than relying on one-time funds that may not be available in the future. Staff is recommending a funding allocation be included in the Infrastructure Reserve that would provide a reliable source of money that would be available for beach sand replenishment.

Regional Communications System

Staff had previously identified the need for the City's participation in the replacement of the Regional Communication System (RCS). Although the final costs to the City and the regional partners are not certain, the City will be requested to formally approve the

Regional Agreement before the end of 2013 and commit to funding our share of the costs. Staff is continuing to seek grants and other funding options, but the City's annual costs are expected to be \$600,000 to \$700,000, but will not be needed until 2015. Staff is recommending that the Infrastructure Reserve Fund include an additional \$450,000 annually to pay for the RCS system and additional consideration and cost evaluations be made as grant opportunities arise.

Staff is recommending that future budgets include the following:

1. Establish an Infrastructure Reserve Fund that would provide funding for future unfunded maintenance, repair and replacement of the City's buildings and infrastructure.
2. The Council had directed an initial \$500,000 be allocated to the Infrastructure Reserve Fund from the Laguna Vista sales proceeds. Since the deferred building maintenance fund already includes an unallocated \$800,000, it is staff's opinion that an "initial" allocation is not needed.
3. Direct staff to prepare and submit to Council for consideration a comprehensive Building Asset Management Plan that would identify and quantify future needs.
4. Allocate \$150,000 annually for Building maintenance and repair until an updated Building Asset Management Plan is completed.
5. Allocate \$100,000 annually for beach sand replenishment.
6. Allocate \$450,000 annually for the RCS system replacement.

The addition of these on-going costs will have an impact on the City's overall operating budget. The actual impact will not be known until the City's projected revenues and expenditures are developed through the Financial Forecast and Budget process. The Financial Forecast prepared in January 2013, identified a FY 14-15 deficit of \$1.7 million. The addition of the annual Infrastructure Reserve Allocation would add to that deficit and would result in any increased revenues being directed to the Reserve Fund or require reduction in other Programs and Services.