ITEM NO. 13

STAFF REPORT

CITY OF OCEANSIDE

DATE: November 19, 2014

TO: Honorable Mayor and City Councilmembers
President and Directors of the Small Craft Harbor District

FROM: Police Department

SUBJECT: **AUTHORIZATION FOR THE REPLACEMENT OF A 1984 HARBOR POLICE VESSEL AND THE USE OF THE CITY'S FLEET MANAGEMENT FUND TO PAY FOR THE REPLACEMENT**

SYNOPSIS

Staff recommends that the City Council and Harbor Board of Directors authorize the use of the City's Fleet Management Fund to pay for the replacement of a Police Department Harbor Unit vessel in the amount of $500,000 within the current fiscal year, as a loan to be repaid from the Harbor Fund in the amount of $28,003 annually over a 20-year amortized period.

BACKGROUND

The Police Department Harbor Unit presently has a fleet of four vessels.

The newest vessel, a 35-foot SAFE boat, was acquired with a grant in 2012. This vessel is primarily utilized for human trafficking and drug interdiction operations. It has limited rescue capabilities. Maintenance and operation of the vessel is currently grant-funded and is not being considered for inclusion in the replacement fund proposal.

A 29-foot Crystaliner was acquired in 2002 and is currently utilized for enforcement and rescue operations.

A 21-foot Crystaliner was acquired in 1985 and is primarily utilized by Harbor Unit volunteers, although it can be used for enforcement and rescue operations.

Another 29-foot Crystaliner was acquired in 1984 and is also utilized for enforcement and rescue operations. **This vessel is recommended for immediate replacement.**

Maintenance and operations for these three vessels are paid for from the Harbor Fund. The manufacturer's expected lifespan for each Crystaliner is 20 years.

The Police Department is seeking authorization to replace the 1984 Crystaliner during the current fiscal year. The estimated cost of a replacement vessel is $500,000. The funding proposal includes the use of the City's Fleet Management Fund to be repaid by the Harbor Fund over a 20-year amortized period. With an interest rate of 1.1 percent, payments will be $28,003 annually.

ANALYSIS

Historically, Harbor Unit vessels were replaced on an as-needed basis through the use of the Harbor Reserve Fund, supplemented with grant assistance when available. Although a vehicle replacement fund for Harbor Unit vehicles was established in FY 2012-13, a replacement fund for vessels does not exist. Additional funding will eventually be necessary to replace the 2002 Crystaliner as this vessel nears the end of its useful life. Therefore, the Police Department is recommending the City Council and Harbor Board of Directors consider establishing a replacement fund for two vessels. Because engine repowers and electronics replacements are common during a vessel's 20-year lifespan, their replacement must also be considered. It is recommended that the replacement fund be set at a rate of $32,270 annually per vessel. This amount includes engine and electronics replacements at years five, ten and fifteen.

Based on current operations, the third vessel will be restricted primarily to in-harbor operations, with limited open water use, where it will not be exposed to the stresses of routine open water rescue and enforcement operations. In doing so, its lifespan is expected to exceed the manufacturer's projections and will also result in reduced maintenance and operations costs. The two main response vessels should be funded on a 20-year replacement cycle and have capabilities similar to the current 29-feet Crystaliners.

Due to the critical need for reliability of this vessel for emergency response and the age of the vessel in relationship to the manufactures average life expectancy, the Police Department is requesting authorization to begin the procurement process immediately for replacement of the 1984 Crystaliner in accordance with Administrative Directive 21 – Procurement of Goods and Services.

FISCAL IMPACT

There are sufficient funds in the Fleet Management Fund (831) to advance the $500,000 funding for the replacement of the 1984 Crystaliner. Once funding is approved, the purchase of the vessel and loan agreement will be brought to Council for approval.

It is suggested that the City consider establishing a replacement fund in the Harbor Fund (751) to ensure adequate funds are available for future boat replacement and major maintenance of the vessels. The department has identified that in addition to the $500,000 replacement cost (not adjusted for inflation), there needs to be three engine

repowers and three electrical overhauls over the life of the vessel. The following is a summary of the annual replacement and maintenance costs per vessel:

• Adopt sinking fund to replace new vessel in 20 years	$22,487
• Engine repowers at $40,000 each at years 5, 10 and 15	$ 7,826
• Electrical overhaul at $10,000 each at years 5, 10 and 15	$ 1,957
• Total annual payments per vessel	$32,270

The overall annual impact to the Harbor Fund, with a replacement fund, would be $64,540.

Although funding for the eventual replacement of the vessels will be established, one of the vessels will need to be replaced in approximately 7-8 years. There will not be adequate replacement funds collected during the next few years to pay the full replacement cost and additional funds will need to be identified at that time.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

The Harbor and Beaches Advisory Committee considered this matter at a special session on October 29, 2014. The Committee voted unanimously in favor of recommending the City Council and Harbor Board of Directors authorize the use of the Fleet Management Fund as a loan to be repaid from the Harbor Fund over a twenty-year amortized period.

CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Staff recommends that the City Council and Harbor Board of Directors authorize the use of the City's Fleet Management Fund to pay for the replacement of a Police Department Harbor Unit vessel in the amount of $500,000 within the current fiscal year, as a loan to be repaid from the Harbor Fund in the amount of $28,003 annually over a 20-year amortized period.

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