

**CITY OF DANA POINT
COUNCIL POLICY**

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BACKGROUND

Public facilities have a major impact on our community's quality of life, the City's ability to deliver its services, and the quality of those services. Those facilities and their component systems, include buildings, grounds, parks, trails, medians, and associated equipment. Since incorporation, the City has made a substantial investment in its public facilities. The purpose of this policy is to guide the City first in decisions necessary to preserve the investment in its public facilities, and then to rationally direct funding for new facilities.

Separate City policies provide guidance for maintaining City infrastructure assets such as streets, curbs, sidewalks, storm drains; and separately, for its vehicle fleet acquisition and usage.

ESTABLISHMENT OF AN ASSET INVENTORY AND MANAGEMENT STRATEGY

The General Services Department, in close coordination with other Departments, shall develop and maintain a comprehensive Public Facilities Asset Inventory. They shall also develop and update a public facilities management strategy that forecasts maintenance requirements and associated costs to ensure continued operation of the assets, along with funding requirements for replacement when needed. The strategy is not intended to rest within one document, but rather will encompass a variety of sources and techniques to assess and project asset conditions, and must continuously evolve as facilities age and change. At a minimum, the strategy will:

- Identify major facility asset classes;
- Identify criteria to assess facility conditions and consequences of not maintaining them in good condition;
- Assess and evaluate the condition of facilities within each major asset class;
- Maintain a preventive maintenance system to schedule work necessary to maintain facilities in accordance with established criteria; and,
- Suggest facility maintenance priorities based on a host of factors, including but not limited to functionality, continuity of operations, impacts to the public, risk mitigation and legal requirements.

In many cases, the cost of repairs to assets will be based on routine inspections of those assets, in addition to expected life-cycle data. Examples of asset types covered by this investment approach include mechanical equipment, playground structures, and elevators.

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From the strategy, General Services shall recommend to the City Manager a prioritized facility management plan. The City Manager shall incorporate his/her approved Plan into the Budget presented to the City Council.

FUNDING OF ASSET MAINTENANCE AND REPLACEMENT

It is the City's policy to ensure that adequate resources/funding are allocated in the Council-approved budget to maintain and replace existing facilities before directing resources/funding to build or acquire new facilities that create ongoing operating and maintenance obligations. The funding allocation may need to include setting-aside funds for future replacement, particularly where deemed necessary to ensure adequate resources are accumulated for higher-cost projects. This Policy recognizes that new Federal or State requirements may emerge and require investment in new facilities/assets.

The purpose of this Facilities Management Policy (Policy) is to protect the City's existing investment in facilities by: 1) ensuring due consideration is given to maintaining existing facilities when funding is limited and the City must decide between funding routine operations or funding required or desired facility investments; and, 2) avoiding acquisition of new facilities when the acquisition, operating, and maintenance cost of the new asset, when added to funding for existing City operations and maintenance of existing assets, exceeds available funding.

FACILITIES IMPROVEMENT BUDGET SCOPE

Each year, the General Services Department shall develop the facilities maintenance budget for the City Manager's consideration, and for the City Manager's budget proposal to the City Council. The budget shall describe and prioritize the facilities investment that the City intends to undertake during the next budget cycle, along with the purpose and amount of additional funds to be set-aside in the Facilities Fund (12) for larger projects that may take several years to fund.

- A. Definition of a facilities capital improvement project.** For the purposes of the budget, the definition of a facilities capital project is a project with a useful life of at least five years¹ and a cost of at least \$50,000; and,
- B. Link to needs assessments.** Projects included in the FIF, with minor and occasional exceptions, should be based on the facilities management strategy.

¹ Capital assets have a multi-year lifespan. Assets with shorter lives would be more appropriately addressed in an operating budget

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ROLES IN THE FACILITIES IMPROVEMENT BUDGET PROCESS

The General Services Department, working with other departments, is responsible for coordinating the facilities improvement process and compiling the FIF budget. Other key roles include:

- A. Review of Facilities Improvement Project Proposals.** The Administrative Services Department will coordinate a review process within the City Manager approved budget calendar;
- B. Improvement Funding.** The Administrative Services and General Services Departments will jointly develop a funding strategy to support the facilities improvement budget; and,
- C. Approval of Budget.** The City Manager shall review and propose the budget to the City Council for their review and approval.

FACILITIES PROJECT IDENTIFICATION – NEW ASSETS

Inclusion of proposals in the budget for new facilities, including those from private development and donated assets, will be evaluated using procedures developed jointly by the General Services and Administrative Services Departments. At minimum, the procedure shall provide for the following:

- A. Long-term operating and maintenance costs.** Identify the annual cost to operate and maintain the facility over its lifecycle;
- B. Anticipated sources of funding.** Identify the sources of funding to acquire, operate and maintain the facility; and,
- C. Proposed timing of the project.** Identify the proposed schedule for planning including all entitlement approvals, bidding, design, land acquisition, construction, and other relevant milestones to complete the project.

FACILITIES PROJECT SELECTION

The Administrative Services Department will develop procedures to assess and evaluate facility project proposals. Principles and practices that should be reflected in the selection process include:

- A. Long-term forecasts.** Long-term forecasts should be prepared to better understand the need for capital spending, assess operational impacts and costs, and eventual replacement costs;

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- B. Impact on other projects.** Projects should not be considered in isolation. One project’s impact on others should be recognized and costs should be shared between projects where appropriate;
- C. Allow for funding of preliminary activities.** Recognition that, for some projects, undertaking some preliminary engineering/planning and discretionary approval effort before committing to funding the whole project is advised. However, even these expenditures can be considerable, so projects should be evaluated and prioritized appropriately;
- D. Full consideration of operating and maintenance costs.** The City should first ensure it has adequate ongoing financial resources to operate and maintain a facility before allocating resources to build a proposed new facility;
- E. Full lifecycle costing.** Analysis of the cost of a proposed facility project should encompass the entire life of the facility, from planning and acquisition, to maintenance and on to replacement or eventual disposal;
- F. Predictable project timing and scope.** Schedule and scope estimates should be practical and achievable within available and forecast financial and human resources;
- G. Public support.** Projects should have the support of the Dana Point community; and,
- H. Leveraging resources through cooperation with others.** Where possible, the City should take advantage of opportunities for intergovernmental and/or public-private partnerships to leverage the City’s capital investment.

LONG-TERM FISCAL VIEW

The facility improvement strategy should forecast facility needs and justify funding requirements, and should be communicated in a manner that provides estimates for current and future funding necessary to sustain City facilities. It is possible that the strategy will have more expenditures than revenues in any single fiscal year, which is acceptable as long as the Facility Fund maintains a positive fund balance. The City may provide a separate listing of facility projects deemed important, but where projected funding has not been identified.

FACILITY PROJECT FUNDING STRATEGY

The City may should incorporate a pay-as-you-go (i.e., cash financing) funding strategy to maintain its facilities, or could at some point decide to secure debt financing to acquire a new facility. The City Council’s stated priority is to utilize a pay-as-you-go approach to financing projects to minimize incurring debt where feasible. Guidelines are provided

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below to lead the City in making the choice between pay-as-you-go and debt financing for new facilities.

A. Factors which favor pay-as-you-go financing include circumstances where:

1. The project can be adequately funded from available current revenues and/or fund balance;
2. The project can be completed in an acceptable timeframe given the available revenues; and,
3. Additional debt levels could adversely affect the City's ability to fund future, ongoing operations and maintenance, and/or adhere to its legal debt limit.

B. Factors which may allow for long-term debt financing include circumstances where:

1. Revenues available to pay debt costs are considered sufficient and reliable; and,
2. Market conditions present favorable interest rates;
3. A project is mandated by State or Federal government and current revenues or unassigned fund balances are insufficient to pay project costs;
4. A project is immediately required to meet or relieve capacity needs, and current revenues or unassigned fund balances are insufficient to pay project costs;
5. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project and based on the City's ability to pay debt service (i.e., asset life is greater than or equal to debt term)
6. The users/beneficiaries of the asset financed pay user fees or choose to directly pay the cost of servicing the debt.

FACILITIES PROJECT MANAGEMENT

Responsible management of facilities projects is essential to create the best value for the community. The following policies shall be observed to help ensure the best project management possible:

- A. Project Management.** Every facility project should be managed by qualified personnel responsible for the following, at a minimum:

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1. Developing the project budget, and communicating material budget variances in a timely manner;
2. Developing Cash flow forecasts prior to project approval, and update as needed after the project commences;
3. Ensuring required phases are completed on schedule, and communicating schedule variances in a timely manner;
4. Authorizing project expenditures and monitoring project cash flows;
5. Ensuring adherence to regulations and laws; and,
6. Periodically reporting project status.

B. Regular progress reviews. Regular facilities project and program reviews are to be conducted to monitor project performance, and regular reports shall be generated by the General Services Department.

C. Limits on amendments. For an appropriated facility project, the total cost of the project, including all change orders, shall not exceed the amount of the Council-approved budget. All amendments shall be reviewed and evaluated in accordance with the City's purchasing policy. The General Services Department shall manage facilities projects within prior-approved time and cost constraints. If an amendment is necessary, proper documentation explaining why should be processed. Any amendment to a construction contract shall stay within the City Council approvals.