



Legislation Text

File #: 11-0347, **Version:** 1

Recommendation to receive and file report titled "Review of the Viability of Alamitos Bay Marina Rehabilitation Project" (Rebuild Project); and request City Management to review the recommendations, develop strategies for implementation, and update the City Council and City Auditor as to the status of the Rebuild Project within six months from the date of receipt and filing of this report.

Our Office performed a review of the Rebuild Project to determine if the Marine Bureau could absorb the anticipated \$90 million in additional debt associated with the project without requiring subsidies from the Tidelands Fund or City's General Fund.

Overall, we found several important issues related to the funding of the Rebuild Project that raise questions whether moving forward with this considerable project is in the best interest of the City of Long Beach. Specifically, we found the total costs for the entire Rebuild Project at the close of our fieldwork were estimated to be over \$96 million of which \$90 million will be paid through debt - \$40 million in Department of Boating and Waterways (DBAW) loans and \$50 million in municipal revenue bonds. The key findings and conclusions are:

- We were unable to conclude on the Alamitos Bay Marina's (Marina) financial viability to undertake the Rebuild Project as the preliminary pro-forma financial analysis prepared by Marine Bureau Management to justify construction was incomplete, insufficient, and lacked critical financial assumptions. This finding relates to all phases of the Rebuild Project, including Phase I - Basin 4 where design and engineering contracts are already in place and DBAW loans have been received by the City.
- Marine Bureau Management's decision in 2007 to request contractor bids for a single design and project costs for the rebuild instead of requesting several solutions/options with varying levels of repair/rebuild and costs, limits the City's ability to select the option that best meets the City's needs and the Marina's debt capacity.

In the absence of an adequate financial pro-forma analysis, it is unclear if the Marina can generate sufficient revenues to repay the debt. Moving forward with the Rebuild Project without demonstrating that adequate revenue sources for debt repayment have been secured puts the Tidelands Fund and/or the City's General Fund at risk of supporting the Marina. It would be much more fiscally prudent to complete a thorough financial pro-forma of the entire Rebuild Project and, using this information, determine if the City can afford the Rebuild Project as currently designed or elect to explore other size and design options.

Detailed information regarding the results discussed above is included in the attached report.

We express our appreciation to the Department of Parks, Recreation, and Marine and the Department of Financial Management for providing its time, information, and cooperation during the

review.

City Council approval is requested on April 12, 2011.

The Marina Fund is projected to incur \$90 million of debt to complete the Rebuild Project currently designed. Before proceeding with the Rebuild Project, City Council and City Management should be confident the Marina Fund is able to support projected debt levels without requiring Tidelands or General Fund revenues.

Approve recommendation.

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CITY AUDITOR